G. R. S. IX-5]

Previous references.

1922. 57 File No. 82/19

Serial Nos. ~~1~~

(57) 1, 2, 3, 9, 10, 18, 21, 22, 23, 24,

Later references.

Reserve 19.10.23

GENERAL AND REVENUE SECRETARIAT.

Serial Nos. 10 ~~2 to 6~~

Part B for February 1922

SUBJECT.

Sale of Gold & the Royalty paid thereon

28.2.22

WD 1868—GPB—16,826—28-7-21

GENERAL AND REVENUE SECRETARIAT.

8.2

NOTES.

File No. 82-19

FILE HEADING.

Sale of Sand & its Royalty paid thereon

From

No.	Dated	Received

Diary No.	Enclos.	Spare Copies.	Serial No.

BRIEF ABSTRACT OF LETTER.

NOTES AND ORDERS.

D 1320

G.T. 82-9-1

The amount now to our credit with Messrs Cout and Co. is about £200,000. If we arrange for remittan of this amount to India, we shall get only about Rs.20 - lakhs at the prevailing exchange rate of 2sh., i.e,, Rs.10/- per £.

2. The statutory rate for internal currency is still 1s.4d. and if we had our sterling balance in India, we could have got 30 lakhs at this rate.

3. The pound sterling is at a premium in the Indian market and as the result of recent sales of gold by the Government of India, the premium has been reduced. The present price of gold is above Rs.25/- per tola while according to the rate of Rs.15/- to the £, it should be only Rs.23-1/-4. If we could get our sterling balance to India and sell it as gold bullion in the market we could get more than 30 lakhs.

Flag D

4. The embargo on the export of gold from England appears to continue still. The War having ceased, the request of the Mysore Government for bringing to India their sterling balance now locked up in London is not likely to be refused. The demand for free import of gold into India is insistent and though the Government of India have not yet agreed to permit such import, we may expect that consideration will be shewn to our request.

Flag E

5. Under the Gold Import Act XXII of 1917 the Government of India have taken power to acquire any gold or gold coin imported into India at rates fixed -- from time to time. The present rate is Rs.11-11-0 per £. This Act applies only to British India and the power -- taken is only to acquire gold imported into British India I do not think the import into Mysore of gold which is

is the property of the State comes under this Act. I have consulted the Government Advocate and he is of opinion that "there does not appear to be any objection to import gold into our Territories".

6. The power of compulsory acquisition taken by the Government of India is to prevent profiteering by persons who obtain gold at the present favourable exchange rate and bring it to India for exchange at the currency offices at the still statutory rate of Rs.15/- per £. Ours is not a transaction of that kind. We have our bona fide revenue realised in sterling in London and our proposal is only to bring such revenue to India for meeting the demands of the State. Under Act XXII of 1917 importation of gold is not prohibited but only power is reserved to the Government of India to acquire imported gold. Section 3 (i) of the Act provides that "the Governor-General in Council ** may ** take possession of any gold imported into British India". As I have stated in para 5 supra this Act cannot apply to gold consigned to the Government of Mysore but even if the Government of India hold that it applies, they can except our consignments as the law neither prohibits import nor makes the acquisition of every imported gold consignment compulsory on the part of the Government of India.

7. According to the Rules issued under the Defence of India Regulation 1 of 1918 which we have also adopted, melting of sovereigns and the sale of sovereigns for more than their face value of Rs.15/- are prohibited. The Government of India are selling bullion gold under a system of competitive tenders with a minimum price of Rs.25-14-4 per tola which is the equivalent of Rs.15/- to the sovereign and this

step

step is taken by them with a view to reduce the premium which gold is commanding in the Indian market. Melting of sovereigns is no doubt prohibited but as the gold -- holding of the Government of India is derived from many sources including the gold acquired under the Gold Import Act, it cannot be stated the bullion gold sold by them does not contain any melted coin. After all it is the rule prohibiting the melting of coins that has created any difference between bullion and coin, so far as sale is concerned. Besides, the bulk of our sterling revenue is the Royalty from our gold mines and it has really to be viewed for this purpose as bullion gold. The fact that this revenue is received in coins should not render the position of the Mysore Government worse than what it would be had the mines paid their dues to the Mysore -- Government by giving a share of the gold production of the mines.

8. Gold Mining Companies in other British Dominions beyond the Seas are being allowed to dispose of their gold in the most favourable market and the condition of sale to the Bank of England at the uniform rate of £ 3-17-9 per ounce has been relaxed. The extension of the same freedom to the Gold Mining Companies in India is under the consideration of the Government of India. In such circumstances, the request of the Mysore Government to dispose of their gold to the best advantage in the Indian market cannot be considered as unreasonable.

9. It is stated in the speech of the Finance Member delivered on 24th September 1919 when introducing the Bill for amending the Indian Paper Currency Act that "the Secretary of State has already been able to secure fairly substantial quantities of gold and that these -- will

will shortly be on their way to India." The offer to place our gold at their disposal will increase the -- quantity available for sale and it may, therefore, be expected to be accepted. The Government of India may treat our gold as their own and import it to India for disposal in the open market according to the competitive tender system of sale recently introduced by them.

Flag T

10. Under Article 12 of the Mysore Treaty "all laws and rules for the time being applicable to coins current in British India shall apply to coins current in Mysore". As we are denied the right of having -- our own coins, we lose all the profits on coinage. -- When silver was cheap and the rupee was costing less than 1s.4d. the Government of India made a large gain which was formed into the gold standard Reserve. We have no right to any part of this Reserve nor to a -- share of the return from the investment of this Reserve. It will not be fair on the part of the Government of India to ask us to bear the loss due to dearness of silver when we are denied the benefit of gain on coinage of rupees from cheap silver.

11. What we ask for is only that we should be permitted to sell our sterling holding in the Indian market as the Government of India themselves are doing. It is true that our holding is in the form of coins and what the Government of India are selling is not coins but bullion. But for reasons stated in para 7 supra this distinction has to be overlooked in the case of the Mysore Government.

12. We are not asking for any concessions at the expense of the Government of India. The Indian market is willing to buy gold and that at a premium and we have

have gold which is the State revenue realised in London and all that we ask for is permission to dispose of our gold for what it can fetch in the market just as the Government India themselves are doing.

13. We need not insist on ourselves direcly selling our gold in the Indian market. If the Government of India agree to our proposal we may leave the arrangements for sale in their hands. They are selling large quantities of their gold and our gold may be disposed of along with theirs. If they agree to this arrangement, we need not even bring our balance t o India. We may simply authorise Messrs Coutts & Co. to pay the amount to the Government of India in London instead of in India.

14. From causes beyond our control we have had to submit to a substantial shrinkage of our sterling revenue owing to the steadily rising exchange and the system of sales arranged for by the Government of India if permitted to be adopted by us will not only save us all the loss that the increase in exchange from 1s.4d. to 2s. has entailed but will also enable us to get the benefit of the premium which the Indian market is willing to pay for gold.

15. The suggestion made above seems to be feasible and if we can persuade the Government of India to help us out of the difficulty, we shall get immediately more than Rs.10/- lakhs calculated on the present balance with Messrs Coutts & CO. The same arrangement may be continued so long as the statutory rate of 1s.4d for internal currency remains unaltered and the increased international exchange rate continues. On all remittances brought under this arrangement, we shall save Rs.5/- per £ if not more, if we are able to get the premium prevailing in the market.

16

16. I may summarise my suggestions:-

(i) We may ask for permission to import our sterling balance from England to India. As the Gold Import Act does not apply to Mysore and as the import into Mysore of gold coin or gold bullion is not prohibited by the Mysore Treaty, our request cannot be refused by the Government of India.

(ii) As the Gold Import Act does not apply to Mysore, no question of acquisition by the Government of India of our consignment at the rate of Rs.11-11-0 per £. now in force according to the orders of that Government can also arise.

(iii) Once we import our holding, it will get the benefit of at least the statutory rate of Rs.15/- to the sovereign and we shall be saved the large loss entailed by the high exchange rate.

(iv) As the Government of India are selling gold for higher prices than Rs.15/- per £, we may be permitted to dispose of our gold also similarly. Our coins may be treated as bullion for this purpose.

(v) We need not actually import our holding to India or arrange to sell it in India. If the Government of India approve of our proposal, we may leave to them all the details for the disposal of our holding and take payment in rupees in India according to the rate at which our holding or its equivalent is sold in India.

16. I have put up a draft D.O. to the Hon'ble the Resident and a draft submission note to His Highness.

1.10.19

Draft submitted
2.10.19

Submitted to His Highness.

The high rate of exchange has seriously upset our calculations and necessitated the curtailment of our budget programme to the extent of Rs. 15 lakhs. The Financial Secretary has submitted, in his note dated the 1st October 1919, a suggestion for saving a part of the loss. The Government of India are selling gold at a premium and the proposal is that our gold holding may be similarly sold. Our holding is, however, in coin and the question is how to convert it into bullion. The Government of India have bullion as part of their Currency Reserve and they can give it to us in exchange for coins. If the proposal is accepted, we shall get not only Rs. 15 per £ but also something more in the shape of the premium which gold is commanding in the market.

2. Even if the conversion of coins into bullion and the sale of our holding as bullion are not feasible, there is no reason why we should not get the statutory rate of Rs. 15 per £. The Mysore Treaty does not prohibit the import of gold coins and the sale of such coins for the face value of Rs. 15 is quite in accordance with the law relating to coins which we have to follow under Article 12 of the Treaty. The Government Advocate is of opinion that Gold Import Act XXII of 1917 does not apply to import of gold into Mysore. If our right to importing gold is unquestionable, the prospect of our getting at least Rs. 15 per £ is assured.

3. Our present balance with Messrs. Coutts & Co., is about £ 200,000, and even if we get this holding to India and issue it at the face value of Rs. 15, we shall save

2.10.19

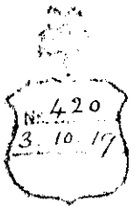
save about 10 lakhs. If our proposal is accepted, we can continue the arrangement so long as the transaction is to our advantage.

4. I submit, for the gracious approval of His Highness, the draft of a demi-official letter to the Hon'ble the Resident. I propose to ask for the sale of our gold holding in the open market to take advantage of the premium prevailing there. If our suggestion is accepted, I propose to leave the sale arrangements to the Government of India themselves. As I have stated in paragraph 2 supra, it will be a great gain to us even if we can get our coin balance to India and save Rs. 5 per £.

24 Oct. 1919

Record of Cases submitted for the Orders of His Highness the Maharaja.

Subject.



Arrangements proposed for importing the gold holding of the Mysore Government with Messrs. Coutts & Co., London, to India and for selling the same in the - Indian market.

480

Order.

~~K.R.W.~~
8/10/19

K. Seshadri Iyer
10.10.19

D.O to the Hon'ble the Resident is issued.
BS
10/10/19.

18/11.10.19

1320

G. R. S. III-2]

10

General and Revenue Secretariat.

File No. of 191 .

Serial No.

If approved, this will be subd. to the Finl. Secy. and Members of Council for permsal.

12/10. Hosey,

12/10

The file may be treated as Confidential.

To be Subd to Members of Council for permsal.

14.10.19.

P.S. The Resident's letter acknowledging receipt of the Dewan's letter since read is placed in the file.

14.10.19

2009-91.
21-10-19

1833
23/10/19

Finl. member
Second member
Third member

Hon Peel 22.10.19
Lubin 24/10/19
Sinn 28/10

18
18/10
23/10.

(Perhaps when returned).

18
25/10

Submitted to the Hon'ble Member in Council for permsal.

18
30/10

Secy
Dy Secy
Secretary

1. 11. 19.

NOTE—Contn. sheet.

(To be called up).

Re D.O. No 8829 dated 12th Nov. 19. from the Hon'ble the Resident

I shall make some remarks upon the several paragraphs of the Resident's letter dated 12th November 1919 before noting on the advice contained in paragraph 4 of it.

Para 2. It is clear from the first sentence of this para that there is no objection to the ~~remittance~~ shipment from England to India of our sterling ~~balance~~ specie with our Bankers there.

We have no gold bullion in London and as we have said in para 1 of our letter dated 10th October '19 what we have is £.200,000/-. It is a sterling credit but it can be converted into Sovereigns at any moment. As our holding is in the form of coins it is not necessary to consider the suggestion of the Government of India in regard to the sale of bullion in London and the remittance of the proceeds to India.

Para 3. What we hold in London is, as stated above, not bullion but coin. Our proposal was to exchange coin for bullion with the object of selling the latter in the Indian market for getting the premium which it commands there and not for selling it in the London market. Owing to the enormously inflated currency the pound sterling has largely depreciated and it was never our intention to buy gold bullion in the London market by paying for it in the depreciated pound sterling.

The Government of India offer us Rs.11-11-0 per sovereign if we import our sterling balance to India and not Rs.15/-. This is the whole point of the case and it is difficult to see, as I shall explain presently, how the Government of India proposes to bring the imports on behalf of the Mysore Government "under the conditions applicable to the general public."

Para 4. Here, I think, the Government of India appear to refer the probable course of exchange in the immediate future and to the acquisition rate of Rs.11-11-0

per £ which they are now allowing and advise us to arrange for getting our balance remitted to India with the least possible delay. The case requires to be discussed further before we can decide whether we should act upon t h i s -- a d v i c e.

This letter of the Resident is not a direct reply to our letter and it seems to me that some of the important points mentioned in our letter are evaded.

In para 4 of our letter we requested that our gold coins may be permitted to be exchanged for gold bullion from the Government of India Paper Currency Reserve or otherwise and that the bullion thus obtained may be permitted to be disposed of in the Indian market on the conditions under whmich the Government of India themselves are disposing of their gold. There is no direct reply to this point in t h e Resident's letter.

In para 3 of our letter we invited attention to the fact that under the Mysore Treaty we could import into Mysore Gold coins without any restriction. There is no allusion to this point also in the Resident's letter. It is true that the export of gold coin from England and its import to India are stated to be open to us but the Government of India propose to apply to our consignments also the acquisition rate of Rs.11-11-0 per pound "under conditions applicable to the general public." It is not stated under what authority the Government of India propose to apply to a consignment of the Mysore Government the law applicable to private imports of gold into British India. On this point I inite reference to para 5 of my note dated 1st October 1919. If according to the condition in the Mysore Treaty we can import gold coins into Mysore it is difficult to see how the British Indian Law of acquisition of gold enforced in regard to private imports into India can be applied in the case of imports of t h e Mysore Government into Mysore.

I would invite in this connection reference to para

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para 6 of my note dated 1st October '19. The law under which the Government of India acquire gold imported into India only provides that "the Governor-General in Council * * * may take possession of any gold imported into British India." I think an import of gold into Mysore and on behalf of the Mysore Government does not come under this law and that even if it does, it is not a case in which the Governor-General should exercise his power of compulsory acquisition. The law provides for cases which need not be brought under it and an import of gold coins forming the revenue of the Mysore State is, I consider, entitled to come under the exception.

In para 4 of our letter we assigned some reasons to show how it would be hard on the Durbar if they are not allowed to import their gold holding for what it can fetch in the Indian market. There is no allusion to this point also in the Resident's letter.

In para 5 of our letter we pointed out that our request would not put the Government of India to any loss or expense and that what we asked for was only permission to adopt the arrangement which the Government of India themselves were following. There is no reply to this point also in the Resident's letter.

It seems to me that a further reference is necessary to the Government of India. I would also suggest that the legal aspect of the matter may be more closely examined. Considering the fact that the Resident's letter evades the important arguments on which we relied ~~in our letter~~ for supporting our request for bringing to India our gold balance for exchanging it at least ~~for~~ at the still Statutory rate of Rs.15/- per pound, if not for getting also the large premium which gold bullion is commanding in the market. Even when we addressed our communication to the Residency we were not very hopeful that they would give us gold bullion

I think we have to press for compliance with our request

14

bullion in exchange for our coin. Please see paras 2 & 4 of the Note of Submission to His Highness. Our request for adopting some arrangement under which we can get Rs.15/- per pound is, I consider, a very reasonable one and the - - Resident's letter is, by no means, clear on what authority it is proposed to refuse to comply with it.

As regards the advice of the Government of India that we should bring our balance here without losing any more time, I have only to state that we may make a further representation to be permitted to bring our balance to India for realizing at least the Statutory rate of Rs.15/- to the pound if not the premium which gold bullion can fetch in the market and that ~~even~~ if the further representation fails we should utilize the sterling balance for buying up the Railway Debenture Stock, the proposal about which is now before - - Government.

To facilitate disposal I put up a draft reply to the Resident.

Dewan)

13-11-19

The draft has been approved by the Dewan. The case is very urgent and if approved the draft may be issued and the file then submitted to H.H.

Dewan)

15-11-19

D.O. issued to the Hon'ble the Resident
No. 431 d. 15.11.19.

Submitted to His Highness.

***

With reference to His Highness' orders of the 8th October 1919 approving of the issue of a letter to the Hon'ble the Resident regarding the import of our gold holding from London to India, I beg to submit herewith, for gracious perusal, demi-official letter No.8829 dated 12th November 1919 from the Hon'ble the Resident, communicating the views of the Government of India in the matter. This letter does not appear to meet some of the important points urged by us in my demi-official letter of the 10th October, and, in the circumstances explained in detail by the Financial Secretary in his note dated the 13th instant and in view of the extreme urgency of the case, I have again written to the Hon'ble the Resident explaining the situation and requesting him to use his good offices for obtaining favourable orders of the Government of India to allow us to bring our gold balance to Mysore without being subjected to the provisions of the Gold Import Act. Draft of my letter to the Hon'ble the Resident is also put up for gracious perusal.

18th Nov. 1919

D1834

D. 1834.

Record of Cases submitted for the Orders of His Highness the Maharaja

Subject.

Demi-official correspondence with the Residency regarding the import of the gold holding of the Mysore Government in London to India.

No. 566
18-11-19

5·86

Order.

~~KRW~~
20/11/19

21.11.19

18/21/4

D 2706

It is now over three months since our second letter on the subject of the ~~import~~ gold balance to India of our ~~sterling~~ specie in London was addressed to the Residency, and yet we have not heard in reply to it. In the meantime the premium on gold bullion and sovereigns is falling, due to the action of the Government of India in selling large quantities of gold to the public. On the Report of the Currency Committee, the Govt. of India have also withdrawn the prohibition against the sale of sovereigns at for more than their face value. Although prospects of reducing the value of a sovereign to 10 rupees appear to be somewhat remote, yet such reduction is the object of the recommendation of the Currency Committee. Delay in the -- settlement of the question is therefore undesirable. If we can get our gold balance ~~sterling specie~~ remitted to India at all, we should do so as early as possible to take advantage of at least the premium which the Indian market is now ~~giving for gold~~ prepared to pay. I therefore put up a draft reminder to the -- Resident.

2. Whether sovereigns can be obtained for our sterling balance with Messrs. Coutts & Co., is perhaps doubtful. Currency in England has not been legally declared to be inconvertible. There appear however to be practical difficulties in obtaining gold on account of the enormously inflated currency and the utterly inadequate gold backing for it.

3. There is however one point in view of which our right to get gold cannot I think

be disputed. Royalty payable to us is part of the yield of the Mines, and so long as the gold produced is sold for the regulation rate of £3-17-9d the ~~gold~~ sale proceeds cannot be held to be depreciated sterling but actual gold coin. £3-17-9d. is the exact coin equivalent of an ounce of standrad gold. The royalty part, at any rate of our revenue realised in London ~~at any rate~~, cannot be treated as other than gold and there ought not to be any difficulty in obtaining sovereigns for this part of our balance. The Gold Mining Companies cannot expect us to accept depreciated sterling when they are selling their production for the coin equivalent. Neither can the Bank of England refuse to pay in coin for gold bought for its bare coin price.

4. If the Government of India should object to our importing gold coins, I think we may well point out to them that such coins, at any rate so far as they represent the royalty payable by the Kolar Gold Mining Companies, are gold produced in Mysore and exported from there. It will not be reasonable to contend that what was, for the convenience of the Companies and perhaps of the British Mint, ~~taken in~~ exported in the first instance from Mysore to London should not be ~~bought back to~~ imported into Mysore. If the Government of India hold that the import of gold into Mysore cannot be permitted they cannot reasonably expect us to permit its export. There is nothing in the Mysore Treaty to prevent us from pro ibiting the export of gold. This aspect of the matter should be conclusive against the application of the "Gold Import Act" to consignments intended for the Mysore Govt

5. The acquisition of Kolar gold at less than its

its market price is to the benefit of the British tax-payer, and it is not right that such benefit should be obtained at the expense of the Mysore tax-payer.

DEWAN'S OFFICE.
Recd. on FEB 19 1920
Reg. No. 5739

19-2-20

Dewan)

Draft D.O. to the Hon'ble the Resident approved by the Dewan is issued & the papers submitted to the Fin: Secy.

BS
21/2/20

2789 20

G. R. S. III-2]

General and Revenue Secretariat.

For File No. 72 of 191 9

Serial No.	
1	To. Messrs. Coutts & Co London (by cable) D 11.2.20 ~~Asks Them to~~ ~~Please~~ Cable Enquire if they have Good balance with Them Can be Converted into Gold Sovereigns for disposal at their option From Messrs Coutts & Co. Cable Reply D. 18.2.20. State that Gold can not be export without Special licence from British Government Placed in file as ordered by This Hon'ble Secy on Receipt Secy 26/2/20.

NOTE—Contn. sheet.

Serial No.

Our balance in London is rising and with a view to earn some interest upon it we have been investing the major portion of it in a liquid and short term security, viz., three months' British Treasury Bills. The problem of utilising the -- London balance however remains unsolved. We are prevented from attempting a solution owing to the unnecessarily long delay in the disposal by the Government of India of our representation to convert our sterling balance into gold sovereigns and to bring the specie over here. It is now nearly five months since we addressed the Government of India and even our second communication to them on the subject was sent more than three months bad has fetched no reply. We have also sent a reminder asking for an early settlement of the question

2. The silence on the part of the Government of India has kept us in suspense and in the meantime conditions are altering against us, as the Government of India are saturating the market with the gold that they are selling and rapidly bringing down the premium upon it. At the time when we applied for permission to bring over our balance to India, the price of a tola of fine gold which the Government of India themselves were -- realising on their sales was about Rs.28 and the market value of it was of course, even higher. At the last sale held by them on 19th February 1920, the Government of India have accepted even a rate so low as Rs.16-2-3 per tola. At this -

latter

Serial No.

latter rate, the value of a sovereign is about Rs.10. On the recommendation of the the Exchange and Currency Committee the Governmentof India have declared it to be their policy to legislate as ~~ear~~ early as possible for making the sovereign legal tender at Rs.10 instead of Rs.15. As however, ~~the~~ there is for the present disparity between the commercial price of gold in India and the intended Indian Mint par of one sovereign for Rs.10, they have decided upon continuing as a provisional measure the present statutory rate of Rs.15 per sovereign. This, however, is only a transitional arrangement and we do not know when the legal ~~ter-der~~ ratio will be reduced. The commercial price of gold is also being rapidly brought down as the result of placing large quantities of the metal at the disposal of the market by the Government of India and we are losing the chance of getting for our gold even the price which the current Indian market ~~co~~ conditions offer us. On the publication of the Report of the Committee on Exchange and Currency, the Government have withdrawn the prohibition in ~~rega~~ regard to the melting of sovereigns or their disposal at more or less than their face-value which at present stands at Rs.15. There is accordingly nothing to prevent us from disposing of our gold balance in the market if only we could bring it over to India. For arranging for this remittance however, we have to depend upon the good-will of the Government of India and of the Government of the United Kingdom. The latter has to remove

Serial No.

the embargo on the export of our gold and give us a licence for bringing it here and the former has to exempt our consignment from the operation of the Gold Import Act which is still maintained in spite of the most insistent demands urging the free import of gold on private account.

3. As a partial solution of the problem of finding a disposal for our rising gold balance in London, I propose that we may ask the Government of India to accept in London the second instalment of the subsidy falling due on the 31st of the current month at the statutory rate of Rs.15 per pound. I think we are entitled to propose this arrangement as the delay on the part of the Government of India in giving us permission to bring over our gold from London has already entailed considerable loss on us and further delay is bound to increase the loss and perhaps make it impossible for us to realise anything more than Rs.10 per sovereign, if the internal price of gold is brought down to that level by the saturating sales made by the Government of India or if they introduce legislation to fix the legal ratio at that amount. The request for accepting our gold at the still statutory rate of Rs.15 per £, cannot be considered unreasonable in such circumstances.

4. There is an additional factor which should strengthen our claim for at least Rs.15 per £. I refer to the fact that the production of our Gold Mines is being bought up partly by the Government of India and partly by the Government of United

NOTE—Contn. sheet.

Serial No.

United Kingdom at prices which they cannot b u t admit as being most unfair both to the Companies and the Mysore Government. The Government of India is acquiring the Kolar Gold at Rs.55/8/- per ~~tola~~ ounce from May last and selling it at much higher rates. The Government of the United Kingdom is purchasing a moiety of the Kolar Gold at 85sh. per fine ounce, while the market price is much higher. The present price of a fine ounce of gold is, I believe, in the neighbourhood of 118sh. The difference between 85sh and the market rate is a pure gain to the Government of the United Kingdom.

5. There is another reason in support of o u request. What we propose to offer to the Governm of India in London is not mere sterling credit bu gold sovereigns and this for two reasons. Currend is not legally inconvertible in England and our request for gold cannot be refused. Besides when our gold is being bought at 85sh per fine ounce which is the bare coin equivalent of an ounce of gold, the purchaser, that is, the Government of United Kingdom cannot refuse to pay us the coin equivalent when we ask for it. Considering all things, it seems to me that our request should no be considered unreasonable by them. In any case, we have to make a serious attempt for realising Rs.15 per £ of our balance in London and also for finding a disposal for a part at least of our ho -ing in London. I accordingly submit a draft to the Residency.

DEWAN'S OFFICE.
Recd. on MAR 6 1920
Reg. No. 6136

NOTE—Contn. sheet.

Dewan

Draft appd. by Dewan 5/3/20
Issued from the D.O. is placed in
6/3/20.

20

General and Revenue Secretariat. | G.7 File No. 82 of 1919.

Serial No.	
	Dte. G.A.R.
21	D.O No 581. dated 6th March 1920. In continuation of Serial (18.a) His Durbar requests in the circumstances explained in the D.O. permission for carrying over their gold balance in London with a view to realise from it the statutory rate of Rs 15 per Sovereign and the 2nd instalment of Subsidy payable to Govt of India on 31 3/20 be accepted in London at the same rate and that orders by telegraph be obtained in the matter
22	From Dte G.A.R. D.O. No 2113.8.10.3.20. State that Govt of India have been asked to communicate telegraphic order in the matter and that a copy of the letter is sent to them for sympathetic Considera-tion.
23	Do Dte G.A.R. Pol. 1041. D. 20.3.20 Acknowledges the letter in the previous Serial and states that as the payment of the 2nd instalment of Subsidy has to be paid on 31 3/20 that the orders of G.of I. be obtained

NOTE—Contn. sheet.

WD A 1789—GPB—60,000—20-3-18—S.

9979

G. R. S. III-2]

General and Revenue Secretariat.

File No. 812 of 1919.

Serial No.	
	early to enable the Durbar to make the necessary payment in time
24.	To The F. A. R. No Pol. 1078 d 30.3.20. Invite reference to Serial 23. Please note that from the enclosed telegram it would appear that orders have been passed in the matter and are under communication and request that the same may be communicated today on the course the day as tomorrow is the last day for the payment of the 2nd instalm of the Subsidy.

Yes

NOTE—Contn. sheet.

Further note on import of gold and payment of subsidy in Londo

P.U.D.

The D.O. letter No. 2927 dated the 31st March 1920 from the First Assistant to the Resident communicates a very important decision of the Government of India. The essential point of our contention was that consignments of gold belonging to the Mysore Government should not be subject to the restrictions of the British Indian Gold Import Act. It is very satisfactory to note that the Government of India have conceded the validity of our contention by agreeing to permit imports of our gold into India without applying to it the law of compulsory acquisition.

2. I would invite attention in this connection to the Flag Y. Residency letter No. 8829 dated the 12th November 1919 which communicated the first reply of the Government of India to our representation on the subject. In this letter it was frankly stated that "if the Durbar import gold into India, this can only be done under the conditions applicable to the general public and the gold will be paid for by the Government of India at Rs.11-11-0 per sovereign"which was the rate at the time of compulsory acquisition under the Gold Import Act. We questioned the correctness of this decision in Flag V. our further representation made on receipt of this letter and the Government of India have now seen the fairness of our claim and conceded it..

3. I think it is an important point gained to have convinced the Government of India that imports of the Mysore -- Government cannot rightly be brought under the British Indian restrictive laws of the nature of the Gold Import Act. Apart from the monetary gain from the concession, I venture to think that the exemption has also its value from the point of view of the prestige of the Mysore Government.

4. The orders of the Government of India also concede

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two other points which may be of use to us in future. We have never so far paid the subsidy in London; now have we ever thought of obtaining an extension of time for paying it even when there were real difficulties in the way of paying the subsidy in any year on the appointed dates. It may become necessary hereafter to offer the subsidy in London or to ask for an extension of time for paying it: and the concession in these two respects now offered by the Government of India will serve as a precedent on which we may rely when we require either of these conveniences at any time in the future.

5. The offer to take in London the second instalment of the subsidy payable in the last month was received too late to be availed of by us. Even if it had been received in time, it would not have been to our advantage to have accepted it as the offer was only to take payment at the current rate of exchange and not at Rs.15 per pound, the rate proposed by us.

6. The Government of India, instead of simply informing us that they are prepared to allow us freely to import gold bullion allude to the method according to which we may obtain in London gold bullion for import. They state that "if the Durbar prefer, they may purchase gold bullion in London from the sterling credit available there, such bullion being imported into India and sold in India by the Durbar in the market at their risk." It is not clear what is exactly the import of this statement. How we should obtain gold is a point for us to settle. Whether, what we have with our Bankers in London is simply sterling credit, or credit fully convertible into gold, is a matter to be decided with reference to the Currency Law of the United Kingdom. It is difficult, therefore, to understand why the Government of India have alluded to these points at all.

7. The concession which the Government of India have agreed to extend to us has to be considered with respect to

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th e balance that we already hold in London and to the revenues that will be paid to our credit there in future. Our revenues in London come under the following three heads: (1) royalty, half of that calculated on the output of gold and the whole of that calculated upon dividends, (2) price of electric power, and (3) sale proceeds of sandal oil. Items (1) and (2) are paid from the production of our gold mines and the question of getting these revenues paid in India is under correspondence with the Mining Companies. It is not known if the Companies will agree to pay us these revenues in India and even if they do, it is now known from what date the new arrangement will come into effect. In the meantime, the receipt of these items in London in the form of sterling credit may affect our interests adversely.

8. Although, as I shall prove presently, our right to demand gold in return for our sterling credit is very strong, we cannot say if we will succeed in obtaining gold in return for such credit for import into India. Even if we can obtain gold, the arrangement of receiving these revenues in London and bringing them over in the form of bullion to India entails the expenditure on freight and insurance on the corresponding quantity of gold to be sent to London and brought over from there to India. There is besides the loss due to interest on the money locked up in the period during which the gold is taken to London and brought back to India. In view of the uncertainty and of the loss involved by such arrangement, it is necessary to request the Companies to adopt immediately the system of paying these revenues to us in India. If the loss involved to the Mysore Government from the export of gold to London is explained to the Companies, I think, they will agree to our proposal which saves us loss without putting them to any. It is true that the Companies are under contract to sell half of their output to the Bank of England but for the purpose of such contract, the output itself should, in the

circumstances,

circumstances, be considered as reduced by the amount payable to the Government of Mysore. The Bank of England cannot -- reasonably object to the reduction in the quantities of gold to be sold to it by the Kolar Mining Companies as such reduction is simply the consequence of the fear caused by the Government of India in assuming our balance in London as being only sterling credit not convertible into gold.

9. There appears, however, to be one difficulty in the way of the Companies paying us these items of revenue in India. If it is obligatory upon them to take their gold to London before disposing of it in the open market, and I do not think the Bank of England will release them from this condition. If the Companies should plead this difficulty, I suggest that they may be asked to pay us in London not in sterling credit, nor in sovereigns, but in gold bullion.

10. As regards the method to be adopted for obtaining from the Companies these two items of revenue, I would suggest the following arrangement. The part of the royalty based upon output is easy of calculation as it is one-twentieth of the production. As regards royalty based upon dividends and the price of electric power, we can ask the Companies to give us 113.0016 grains of fine gold or corresponding quantity of any other kind of gold for every pound payable to us under the Mining Leases and the Power Agreement. The proposal for payment of these items in bullion is feasible as the Companies have the freedom of disposing of their gold in the London --- market, and they are under an obligation to sell it to the Bank of Englad at the regulation rate of £ 3-17-9 per standard ounce only in the event of production of the Companies not finding a sale for 6 weeks. Please see appended extract from the article on "GOLD" taken from the Financial and Commercial Review of London Times of 23rd January 1920. As the Government of India have now given us the permission to import gold without any restriction we can arrange to bring over to India the bullion which the Companies make over to us in London and sell

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it for the best price we can get for it. So far, therefore, as the future realisations on account of royalty and power revenues are concerned, the concession shewn by the Government of India is of substantial advantage, as it brings within our -- reach, the entire benefit of the commercial price which gold commands in the Indian market.

11. In these circumstances, an urgent communication to the Companies is, I consider, necessary, so that we might take immediate advantage of the exemption from the operation of the Gold Import Act. The question is, however, intimately related to the points proposed for discussion at a meeting of the First Member of Council and Mr. Henry Taylor and if there is any prospect of this meeting coming off in the next few days, the proposed reference may be deferred.

12. I shall now consider the concession of exemption from the operation of the Gold Import Act in relation to the balance which we now hold in London. Royalty and price of electric power are paid from the production of our gold mines, which is still being purchased by the Bank of England at the regulation rate of £ 3-17-9 per standard ounce. This price is the mint par value and represents the bare coin equivalent of an ounce of standard gold. When gold is sold at the mint par price, there is gold for gold, it cannot by any means be contended that this part of our revenue realised in London consists of paper pounds. When the Bank of England purchases an ounce of standard gold for £ 3-17-9, what it pays in return are not the depreciated pounds sterling but sovereigns. The following extract from the article on "BULLION" appearing in the -- "ECONOMIST" dated 7th February 1920 supports my view. "Imported gold bullion can be re-exported within a certain period or when sold to the Bank of England at 77 shs. 9d. per ounce standard, the sovereigns received in payment therefor can be exported; but both operations involve the purchase of gold at the current market price. As the contents of gold bullion will be accepted by the Indian Government on arrival in India on the basis of a

of a full weight sovereign which is equivalent to gold at 77 sh. 10½ d. per ounce standard -- it is obviously preferable to remit gold in the form of bullion rather than exchange it for sovereigns at the Bank of England buying rate for gold of 77 sh. 9d. per oz. standard." If the Bank of England were purchasing the gold of the Kolar Mines for its market value, then it might have been contended that the price paid by it was in depreciated pounds sterling. If the market value had been paid, the Companies would have received a much larger amount for their production and the royalty payable to us would have been correspondingly more. The mint price of an ounce of fine gold is 85 shillings, and at one time the market price of it was as high as 127½ shillings. The Bank of England which bought the production of the Kolar Mines at 85 shillings per fine ounce, cannot refuse to pay gold sovereigns when demanded by the sellers of gold. It is true that there was no direct transaction between the Mysore Government and the Bank of England but the Mysore Government has a right to demand from the Mining Companies sovereigns for its royalty and power revenue when the production is sold for the bare coin equivalent. The Companies cannot give us depreciated pounds sterling when they are selling the gold of our Mines for its gold value.

13. The currency in England is legally convertible. No person who presents Bank Notes at the Issue Department of the Bank of England can be refused gold. One individual, it is reported in the "LONDON TIMES" of February 28, 1920, had taken from the Bank of England over £ 110,000 in sovereigns in exchange for notes. It is true that the exchange of notes for gold is discouraged. But legally the holder of notes has a right to demand gold. The person who sold gold to the Bank itslef for its bare coin value has the best right to ask for gold in return for notes.

14. The position in regard to the sale proceeds of sandal oil is somewhat different. It is possible to argue that this revenue consists of pounds sterling and not sovereigns, but as I have

have stated above, the pound sterling is legally convertible into gold and the Bank of England cannot refuse to pay gold even for this part of our revenue. It is not also possible to adopt different values to different parts of the balance we hold in London and the whole should be treated alike.

15. As a matter of fact, we can obtain sovereigns in return for our sterling credit. I made an enquiry of Messrs Coutts & Co. through the Comptroller on this subject and I append copies of telegrams sent to them and their answer. It will be seen from the latter that it is possible to obtain gold for our sterling credit, The only difficulty is the embargo on the export of gold. This embargo, however, is not absolute as export of gold under license is permitted. The privilege of free import of gold which the Government of India have now given to us means that the Home Government is prepared to give us licenses to export gold from England.

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16. In the circumstances explained above, I think both law and equity are in our favour in demanding sovereigns for our Bank balance. The export of sovereigns from England is not permitted. Please see the appended extract from the Economist" dated 7th February 1920. This does not, however, create any insuperable difficulty. We can buy bullion by paying for it with sovereigns and the transaction practically amounts to buying gold with gold. Bullion thus bought, we can bring over to India and obtain for it the full benefit of the commercial price which the Indian market is prepared to pay.

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17. As the balance with our Bankers can be converted into sovereigns and bullion purchased by paying for it with sovereigns, it is not necessary to consider the proposal of the Government of India that we may purchase gold from our sterling credit, i.e,, paper pounds. The price of bullion in sterling has been ruling high and it has also been largely fluctuating. I append a statement to shew the price per ounce of

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fine

fine gold on some days in February 1920. The purchase of gold bullion with paper pounds would inflict a heavy loss on us and in view of the arguments urged in paragraphs 12 and 13, we cannot agree in the statement of the Government of India that what we hold in London is sterling credit, that is paper pounds.

18. It is necessary to make very early arrangement for bringing over the bullion equivalent of our London balance to India for getting for it at least its present Indian market price. The fortnightly sales of large quantities of gold by the Government of India have reduced the premium which it was commanding in the market. The present retail market price is about Rs.24 per sovereign (Rs 10 tola which is equivalent to about Rs 15). The market price which had once gone down to about Rs.21 has again risen to Rs.24. Considering the fact that the Government still maintain the statutory rate of Rs.15 per pound and in view of the great demand for gold on the part of India and of the fact that the normal supplies of gold to India were seriously reduced in the last few years, the probability is that the market price of gold will not for some time fall below Rs.15 for a sovereign. The tendency, however, is in the direction of a fall as it is the aim of the Government of India to reduce the premium compared with the proposed Mint par of Rs.10 to one sovereign; there is besides the insistent demand for free import of gold and it is likely that such import may be permitted ere long. As a matter of fact, free import has lately been allowed in Egypt. Once free import is allowed, we shall have a larger number of competitors with us in selling gold in the Indian market and it should, therefore, be our object to arrange for bringing over the bullion equivalent of our London balance as early as possible, so that we may take advantage of at least the present level of price which gold is commanding in the Indian market.

19. Another communication to the Government of India is necessary. But if they take months again to send us a reply,

reply as they have done in respect of both the previous communications, we shall lose the present opportunity and may have to submit to substantial loss. If the Government of India had given us some time back the permission which they have now kindly offered, we could have got for our gold the very large premium at which it was selling and the benefit of which the Government of India themselves reaped from sales of their gold.

20. A draft D. O. Letter to the Resident is put up.

Dewan Bahadur
First member

It has since struck me that there is likely to be an insurmountable difficulty in our attempt to obtain for sovereigns an equivalent quantity of bullion gold. The law prohibiting the melting of sovereigns seems to be still in force in England and the consequence of this law is that the sovereign can command only the coin or the paper pound value and not the value of its bullion contents. The object with which we wish to buy bullion with sovereigns and not with paper pounds is that we may get a larger quantity of gold. But for the law against the melting of sovereings, the coin and the commodity values of a sovereign would have been about the same, ie., 85 shillings per fine ounce. When melting is not permitted, the coin sovereign can have no more value than a paper pound and we cannot hope to get an ounce of fine gold for about 85 shillings and we shall have to pay the market value, which for the present is about 120 shillings, whether the purchase price we pay is in gold sovereigns or in sterling credit, ~~in~~ i.e., paper pounds. Purchase of bullion under these conditions would completely frustrate our object and t h e benefit of the premium which gold bullion is commanding would remain with the Government of the United Kingdom which bought our gold for 85 sh. per oz. and which requires us to pay 120 sh. for the same quantity of gold.

2. If the export of sovereigns at least is permitted, we have an escapte from the difficulty referred to above. The extract from the article on "BULLION" appearing in the "ECONOMIST" of 7th February 1920 shews that the embargo on the export of sovereigns is absolute. The reply of Messrs Coutts & Co. in answer to our cablegram of enquiry on this point, however, appears to imply that export of sovereigns is permissible under a license.

3. If sovereigns cannot be melted and if they cannot also be exported, nobody will take our sovereings in London for more than their coin or paper pound value and our position will be that of holders of sterling credit as assumed by the Government of India. There is no use in our having been given the privilege of free import of gold into Mysore if we are deprived of practically the whole of the benefit of the privilege by making our sterholding in London no more than the depreciated paper --- pounds sterling when, as a matter of fact, the bulk of it is, as stated in paras 12 and 13 of my note of yesterday, really gold bullion.

4. In the circumstances stated above, it seems to me to be necessary to state in the communication to the Government of India which I have now proposed that if we cannot buy gold bullion at about 85 shillings per fine oz. by paying for it in sovereigns, they may permit us to bring over here the sovereigns themselves. We may assure them that if they do not want us to use the sovereigns as coins at the still statutory rate of Rs.15, we shall dispo- dispose of them as gold after melting them, if necessary. Melting is no longer an offence in India.

5. The difficulty to which I have referred in this note suggests the need for asking the Gold Mining Companies to immediately adopt the arrangement of paying our royalty and power revenue in bullion and not sell the equivalent ~~qunait~~ quantity of gold to the Bank of England as such sale will inflict substantial loss on us, If we cannot buy gold bullion at about 85 sh. per fine oz. with --- sovereigns obtained in exchange for our sterling credit.

6. If the Government of the United Kingdom will not allow us to export sovereigns, there is not much use

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in the privilege of free import into India. If the Bank of England would agree to allow the Kolar Companies to give us here in India a quantity of gold equivalent to the price in sovereigns which we can pay to them in London, the difficulty caused by the prohibition against export of sovereigns will be overcome. This is, I think the only attempt by which we may try to overcome this difficulty. We do not know for how many months more the Kolar Mining Companies are under an obligation to sell their output to the Bank of England at the rate of £3-17-9½ per standard oz. If this arrangement continues for some months more, we may give sovereigns to the Companies in London against gold bullion given to us here. This arrangement will not put them to any loss while it will be a source of a distinct gain to us. Of course, the Bank of England should permit this arrangement. If the Government of the United Kingdom is not willing to permit export of sovereigns, it should at least help us in overcoming the difficulty by adopting this arrangement in communication with the Companies.

7. There is one point in view of which the Government of India and the Government of the United Kingdom -- ought to shew indulgence to the Mysore Government. I refer to the fact that practically the whole of the gold exported from India to England is from Mysore and the Bank of England has had the benefit of this gold throughout the period of the War. Permission to allow the re-export of a small fraction of the same gold to the country from which it was sent in the first instance is a consideration which cannot be held to be unreasonable expecially after the cessation of War. The fact remains that the Mysore Government has been put to heavy loss, because their gold revenue has been acquired by the United Kingdom at its gold value. The permission which we now ask for of that

that Government [illegible] to export sovereigns will enable us to save a portion of the loss. There is y e t another consideration which we can urge in favour of our request. For future revenues from royalty and power, we can get the advantage of the exemption from the Import Act, if, as I think, we can get them in bullion in London. The case cannot be considered different in respect of the same revenues received in the past as it is a mere matter of accident that the permission is now given to us and that it was not available to us during all the time. The fact that the Government of India have seen the fairness of our claim now, shews that our position was not different in this respect in the past in relation to our sterling revenues.

8. In the circumstances explained above, I suggest some modifications in the draft which as altered is re-submitted.

9. I would also suggest the desirability of consulting a bullion expert in Bombay to see what maximum advantage we can derive from the exemption from the Import Act now allowed to us.

DEWAN'S OFFICE.
Recd. on APR 6 1920
Reg. No. 825.

(D.O.C. No. 43).

5/4/20

125
5.4.20

Dewan/Rev
1st member

This may be discussed at the next meeting of the Council if the Dewan approves

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The draft appd in Council is subd to Dewan with an additional para arguing in support of our request. 7.4.20.

Draft to the Residency issued & the file returned. 10/4/20

Yes
6.4.20

To the Chief Secy with compliments
6.4.20

G. R. S. III-2)

General and Revenue Secretariat.

G.37 File No. 82 of 1919.

Serial No.

As Mr. Rose of the Mysore Bank was going to Bombay for sailing for England, it occurred to me that I might request him to obtain, if possible, the opinion of an expert in bullion and currency matters as regards the problem of bringing over our sterling balance to India without involving loss on exchange. I also thought that we could not consult a better authority than Mr. Dadiba Merwanjee Dalal who was a member of the Indian Exchange and Currency Committee. I accordingly requested Mr. Rose to very confidentially and informally consult Mr. Dalal on the subject. Mr. Rose has been kind enough to comply with my request and I put up his letter of the 10th instant in which he communicates the result of his interview with Mr. Dalal.

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2. Mr. Dalal considers that the importation of sovereigns is the best arrangement as it will give us the maximum advantage. Permission to bring over sovereigns is exactly what we are trying to obtain and our last communication dated 10th inst. to the Government of India asks for the issue of a license for import of sovereigns.

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3. Mr. Dalal, however, doubts whether we would be successful in obtaining a license for the export of sovereigns from the United Kingdom. Export of sovereigns from England is doubtless discouraged and there is likely to be some difficulty in

NOTE—Contn. sheet.

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in getting a license for sending sovereigns from that country. But the export of coins is not absolutely prohibited as shewn by the Notification dated 27th February 1920 of the Board of Trade published in the Government of India Gazette dated 3rd April 1920 which is herewith put up. I request reference to the portions marked in blue pencil on pages 592 and 594. It will be seen that bullion and coin come under the same category of articles and that the export of both is not prohibited but is only controlled by Government and only a license is required for export of either. The Government of India have been kind enough to exempt our consignments from the operation of the law of compulsory acquisition of gold imported into India and this exemption, of course, implies the grant of a license for export from London. The Government of India have, however, limited the exemption to gold bullion and our request is now for its extension to gold coin as well. The export of gold bullion from London is subject to the same condition as that of gold coin and similarly the Gold Import Act applies both to gold bullion and gold coins imported into India. The Government of India apparently in consultation with the Secretary of State, have conceded the fairness of our request and the concession may be extended to gold coin also.

Flag Q

4. As the export of sovereigns from the United

NOTE—Contn. sheet.

Serial No.

United Kingdom is discouraged, there is reason to fear that our request may not easily be granted. If our request is refused, we shall be put to serious loss. Our present balance in London is about £ 400,000 and if this sum is remitted at the current market rate of exchange, we shall get about Rs.34 lakhs. If, however, we are able to get permission to import sovereigns, we shall get about Rs.60 lakhs. The difference is as large as Rs.26 lakhs and every effort has, therefore, to be made to get permission to import sovereigns themselves. The concession of free import of bullion bought with ~~xxxxx~~ our sterling credit is no doubt a valuable privilege as it will enable us to realise over Rs.10 lakhs more than what we can get at the market rate of exchange. The arrangement of buying bullion in London and selling it in India is, however, a speculative transaction and the net result of it will depend upon the fluctuating prices of gold in the London and India markets. Besides, the advantage to be gained from the bullion arrangement is only about one-third of what we can get from the coin arrangement.

5. The magnitude of the financial interests involved is, therefore, very large and any refusal to give us permission to import sovereigns will entail very heavy loss on us. The new exchange policy of the Government of India has seriously crippled our

our resources as for every pound of our sterling revenue the maximum that we can hope to get is only -- Rs.10 instead of Rs.15 which we were hitherto getting. At present, it is, however, impossible even to get Rs.10 as sterling is much depreciated and we shall have to be content with only about Rs.8½ per pound. As stated in our last communication to the Government of India, there is a great deal to be said for viewing our London balance as consisting of sovereigns and not depreciated sterling. Our case is strong and in view of the condition of our finances, the need for saving as much of the loss as possible is very great. The Budget for the next year is expected to result in a deficit of more than 25 lakhs.

6. Mr. Dalal considers that the earliest possible action should be taken to bring over the sovereigns to India as it is uncertain how long the existing premium on gold would continue and as the repeal of the Gold Import Act is also threatening.

7. In these circumstances, I think we have to make the best effort possible to obtain permission to import sovereigns and it has struck me that we shall ensure the success of our attempt if we approach His Highness with a request for graciously writing a -- letter to the Viceroy. The favourable disposition of the Government of India towards our representation

G. R. S. III-2)

General and Revenue Secretariat. | G.F. File No. 82 of 1919.

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as evident from their last communication and what is now required is to disarm any opposition to our request for extending the concession of free import -- which they have already allowed in respect of bullion to coin as well. If His Highness graciously condescends to address a short communication to His Excellency the Viceroy for enlisting his personal sympathy in helping us out of the difficulty, I think we can confidently count upon succeeding in our attempt. I put up a draft submission note and a draft letter.

DEWAN through
FIRST MEMBER.

Note 14.4.20

P.S.-- It will be seen from the revised Budget Estimates for next year, submitted today, that the position in the next year is one of deficit of 33 lakhs. If we can get 26 lakhs more by importing sovereigns, we can tide over the difficulty of next year and get some time to think out remedies for improving our position in future, the deficit being of a permanent character. The need for getting 26 lakhs more from our London balance is, therefore, imperative, and every available means must be pressed to service to succeed in our attempt to bring over sovereigns to India.

Note 14.4.20

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PTO

General and Revenue Secretariat. | File No. | of 191

Serial No.

The Question of the Heavy Income Consideration

The case is most urgent every Day makes a difference The transaction is a very big one - a personal effort may help a great deal - more than correspondence can decide while also minimise Delay

We stand to gain 25-lacs rupees - which is no small matter - all the future

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Diwan) In accordance with an arrangement of last evening's discussion with Sir Akbar Hydari, I have written to the Secretary, Finance Department, asking H.H.'s sanction to deputing the Financial Member of Council to the U.K. by Sunday, the 6th instant, for the purpose of discussing with the Finance Members of the Government of India and other interested persons, certain matters connected with the Income-tax Scheme. I have also written to

Note—Contn. sheet.

Serial No.

H. I.

[illegible]

16.4.20

[illegible]

The file is returned to the Foreign Secy. for perusal of the Bombay letters. —

17.4

G. R S. III-2

General and Revenue Secretariat.

R. S. File No. 82 of 1919.

Serial No.

We have not yet heard from the Government of India in reply to our last communication to them regarding the import of sovereigns. I believe the Resident forwarded our representation by wire to Simla on the 20th of last month. About a fortnight has since elapsed and it is not clear where there is delay. In the meantime, conditions seems to be moving adversely to our interests. The London Times of the 13th April 1920 received by the last mail contains the speech of the Chairman of the General Meeting of Shareholders of the National Bank of India, Limited, and the following statement is part of the speech:-

"The Indian Government have not yet allowed a free market for gold in India, but it is understood that that step will not be much longer delayed."

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I put up the issue of the Times for reference. The underlined portion of the extract shews that the repeal of the Gold Import Act, is perhaps imminent.

2. The National Bank of India deals, I believe, largely in gold bullion and the gold bearing the stamp of this Bank is separately quoted in the market reports. The authorities of this Bank are, therefore, likely to be well-informed in regard to the conditions of the gold bullion market and the statement of the Chairman that the abrogation of the Law of compulsory acquisition of gold will be

NOTE.—Contd. sheet.

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be much longer delayed has to be taken as resting upon good foundation. One this restriction is removed, there will be a great deal of competition on the part of sellers of gold in the Indian market and the result will very likely be considerable reduction in the price of gold bullion and also of sovereigns. This result will be welcomed by the Government of India who are anxious to remove the existing premium on gold compared with the proposed Mint par price of Rs. per sovereign. If the Law is repealed before the Government of India pass orders on our representation now before them, we shall lose heavily whether we bring over from London gold bullion bought -- with our sterling credit or sovereigns. The import of neither of these would require any special permission from the Government of India when free ~~import~~ market for gold is ~~established~~ restored in India.

3. The Government of India have advertised that their future sales of gold will be on the following dates: 19th May, 9th June, 23rd June, 7th July, 25th July, and 4th August 1920. It may, perhaps, be inferred from this announcement that the Gold Import Act will not be repealed before the 4th August next. We cannot, however, feel assured that the Government of India will not change their mind in the meantime, as the de-

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demand for free import of gold is most insistent and as such import has already been allowed in to Egypt. The statement on this subject made by the Chairman of the General Meeting of Shareholders of the National Bank of India, Ltd., points to the direction in which things are moving and the probability of a very early removal of the existing restriction.

4. In view of these considerations, it seems to me that we should lose no time in getting our balance to India in the form of sovereigns and realising for them the best value we can get, before the market conditions alter adversely to our interests. I would accordingly suggest the issue of a reminder to the Resident bringing to his notice the threatened repeal of the Gold Import Act and requesting him to obtain the order of the Government of India in time to enable us to realise for our London balance its proper value in rupees before the price of gold falls in the Indian market as the result of grant of permission for free import of gold. A draft is put up.

6.5.20

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S.C. approved by the Secretary was issued.

Dewan through First Member.

The reminder may issue if the Secretary approves.

NOTE—Contn. sheet.

G. R. S. III-2.

General and Revenue Secretariat.

G. 3 File No. 82 of 1919.

Serial No.

I request reference to the Government of India communique appearing in the issue of the -- Madras Mail received this morning. The restriction s on the free import of gold bullion and gold coin -- have been removed from yesterday. Sovereigns and half sovereigns will cease, until further notice, to be legal tender; they will however be received by the Government of India at the present ratio of Rs.15 during a moratorium period of 21 days ending with the 12th proximo. It has also been announced that at the forthcoming session of the Legislative Council, the new ratio of Rs.10 to a sovereign will be established even for internal circulation. After this law is passed sovereigns will again become -- legal tender at the new rate of Rs.10 per sovereign

The first action to be taken by us is to arrange for making over to the Bank of Madras whatever sovereigns we may have in our treasuries so that we may get Rs.15 for each of them. The public of Mysore ought to be allowed the right of making over their sovereigns to the Government of India -- through the Mysore treasuries at the old rate of -- Rs.15 to the sovereign, during the period of the moratorium. If this is done, our treasuries will have to receive sovereigns up to the 12th July next and the Government of India should be prepared to take over from us such sovereigns at the rate of Rs.15. I am asking the Comptroller to take the necessary action in this respect in communication with the Accountant-General, Madras.

after that period

NOTE—Contn. sheet

Serial No.

The next and more important point to be considered is about our sterling balance held up in London. After 12th July next all hopes of getting more than Rs.10 to a sovereign will be lost. The Government of India have kept us in suspense so far and now at least they should tell us how they are going to dispose of our request. If they are disposed to show us any consideration at all, it should be done during the period of the moratorium, During this period they have offered to receive sovereigns at Rs.15 and apparently this offer relates only to sovereigns tendered in India but for the reasons we have urged in our several communications to them on the subject, our request for a similar consideration in respect of our balance in London, should receive favourable consideration at the hands of the Government of India. Failing this they should at least allow us the benefit of the premium on gold prevailing in the Indian market as they offered to exempt our bullion consignments from the operation of the Gold Import Act. With the removal of the restriction which has come into force from yesterday, and with the reiterated determination of the Government of India to introduce the new ratio of Rs.10 to a sovereign in spite of the substantial decline in the price of silver which had raised hopes of a lowering of the rate of exchange below 2s, the price of gold in the Indian market is bound to fall and may even reach Rs.16 to a tola. Whether the Government of India will

NOTE—Contn. sheet

Serial No.

will continue to sell gold or not hereafter is ~~doubtful.~~ not known. The next sale announced by them takes place to-morrow. If they continue to sell and if they will not allow us Rs.15 to a sovereign for our balance in London, they ought to give us the bullion value for our London balance at the rate at which they are going to sell their gold at the next sale, if such value works out at more than Rs.10 to a sovereign. If they are not prepared to show us even this consideration, we have to consult immediately an expert bullionist of Bombay and obtain his advice whether there is any means by which we can get for our sterling balance a better value than Rs.10 to a sovereign, before the new ratio becomes the statutory rate.

The matter is both important and urgent. It seems to me necessary to explain the situation personally to the Hon'ble the Resident and then decide upon the action to be taken.

D e w a n

thro' First Member.

22/6/20

P.S.-- Since writing the above, I have seen the First Member's D.C. of date to the Dewan. The exch rate is now at about 1/10 d. and not 1/8 d. Even 1/10 d., it is favourable to arrange for a remittan from London. We may immediately cable to Messrs Coutts & Co. to remit £ 2,50,000 which is about half

Serial No.

of our present balance with them, if the rate is about a penny less than 2 sh. I propose this rate as remittance at any rate less than 2 sh. is favourable to us if there is no chance of our request to the Government of India being complied with even now. Cables, I think, now take about a week to reach London. We may also expect that some definite reply will be given to us now at least by the Government of India. As they had offered to allow us to import gold and as they did not tell us that they could not grant our request for import of sovereigns, the loss calculated with reference to the disposal of bullion is entirely due to the Government of India and they may take this view of the matter and shew us some consideration. I have, therefore, suggested a personal conversation with the Resident.

22/6/20

The position has been explained to the Resident in person by the Dewan and a brief note on the point sent to the Residency is enclosed.

I have wired to the Bank of Bombay for intimating the rate at which money can not be remitted from London

Dewan Thro
Fin. Member)

Seen 23.6. 23-6-20

H. G.

DEWAN'S OFFICE.
Recd. on JUN 23 1920
Reg. No. 8360

NOTE—Contn. sheet.

G. R. S. III-2)

General and Revenue Secretariat. | G.7 File No. 82 of 1919.

Transfer of funds from London

Serial No.

X. Y: Z.

V

The copies of telegrams sent to the Bank of Bombay, Bank of Madras, and the National Bank of India and the replies received from them are put up. It will be seen that none of the Banks recommends the purchase of gold bullion in London for sale in India. All of them suggest that we may arrange for remittance by selling telegraphic transfers on our London Bankers.

We have cabled to Messrs. Coutts & Co., (copy of cable placed below) for letting us know the rate at which they can arrange for transfer. We have also written to Mr. Narotam Morarjee Goculdas for obtaining the advice of Mr. Dalal in the matter. The probability is that Mr. Dalal will also recommend the same course as the three Banks have done. We need not wait for the reply from Coutts, as the information we have asked of them is only about the rate of exchange.

	s.d.
Bank of Bombay:	1-10 9/32
Bank of Madras:	1-11 --

From the rates at about which remittances are reported by the Banks of Bombay and Madras to be feasible, it will be seen that Bombay is the better market for selling telegraphic transfers. The Secretary and Treasurer of the Bank of Bombay has enquired at what rate we are prepared to sell and to what extent. I would suggest that we may sell £100000 in such instalments as the Bank of Bombay may consider desirable for obtaining the best price possible. I would also suggest that we may fix 1s.10d. as the maximum rate at which we are prepared to sell. If we are ~~prepared~~ able to sell at 1s.10d, we shall get about Rs.10/14 per £, exclusive of brokerage and Bank commission, and compared with the rate of 2s. to the rupee, the remittance of £100,000 according to the terms proposed -- would

NOTE—Contn. sheet.

Serial No.

would mean a gain of about Rs.80,000. In these circumstances, I would suggest that the Comptroller may be authorised to arrange for the sale of telegraphic transfers for £100,000 through t h e Bank of Bombay at a rate not exceeding 1s.10d.

D e w a n,
Thro' First Member)

MMC
26/6/20

Under the Conditions we may get about £20,000 @ Give the business to the Bombay Bank. Provided they can do business at 1s. 10 d. max rate.

When Sterling is fixed 1st Rate we should have to convert Rupees at that rate so, The Govt the more we can transfer now the better

26.6

I also suggest that the Honble may go to Bombay & if necessary Consult Sir Lawrence Jenkins there

NOTE—Contn. sheet.

G. R. S. III-2)

57

General and Revenue Secretariat. | File No. | of 191 .

Serial No.

I have recd another telegram from the Bank of Bombay stating that Exchange Banks have bought some cents today at 1sh 10 d. This is the maxm. rate I have proposed. The telegram was recd after this file was subd. to the member & it has also been sent. Since the meantime this file has been recd back from the member and as he has recommended the transfer to ~~me~~ on the terms proposed by me I submit to Govt for orders. If orders are passed today the Comptr will be requested to wire to Bombay at once. Tomorrow is Sunday and transfers can be done only on Monday. I think it will be best to ~~the~~ authorise the Bank as early as possible to arrange for sale.

26.6.20

I agree

26.6.20

Forwarded to the Comptr CO for favour of taking action and returning the file.

26-6-20

NOTE—Contn. sheet.

G. R. S. 111-2]

General and Revenue Secretariat. | 9 7 File No. 52 of 191 9

Serial No.

The bank has been asked on 26.6.20 to sell telegraphic transfers on London to the extent of £ 2,00,000/- at rates not exceeding 1 S. 10 d. per rupee. Copies of telegraphic correspondence on the subject are enclosed.

J. Satyanarayanaiya
Comptroller.

28.6.20

29.

The Bank of Bombay sold on our behalf on 28th inst £ 10000 at 1sh 9d the rupee Please See to telegram of 28th.

Mr. Dalal's advice has been wired by Mr. Nathoram Moraijee and this about Selling T.T. on London. Mr. Dalal states on the 28th and that the rate of that date was 1/9. It was at this rate the Sale was made.

The rate has since declined to 1sh 8½d and Opinion is divided as to whether it will go up or go down.

D

F

Note—Contn. sheet.

3384

61

G. R. S. III-2]

General and Revenue Secretariat.

File No. of 191 .

Serial No.

Some think it will rise to 2/4
While others consider that it
may drop to 1/4 6d. In
these circs it seems to me that
we may wait for a few days
more before selling more T.T.
on London
Sir Alfred Chatterton's two
telegrams to the first member
are also placed in the file.

Vide Times of India ~~Bombay Market Report~~ of 26.6.20

C

391
806

Dewan Bahadur
First Member

30/6/20

I think it better to take the risk & give instructions to sell another £150 000 at 1/4 d. if available I think this is our only chance. We have only 11 days left.

7.7

Agreed

2-7-20

Forwarded to the comptr for sale of another £150,000 according to the above.

EWAN'S OFFICE.
JUL 1 1920
No. 31

NOTE—Contn. sheet.

3354

No. of 191 .

The Bank of Bombay may be authorised to accept a rate or rates not exceeding 1/6 8d but within the maximum it may be asked to sell the said amt in such manner as it considers best for getting the highest possible price in respect —

Mull
2/7/20

2—R

T.T. 8/2-7-20.

The Bank of Bombay has been requested to sell Telegraphic Transfers for £150,000/- on London as - The following is a copy of the telegram - to the Bank.

Telegram to Thistle (Bank of Bombay) Bombay.
"Please sell telegraphic transfers on London for pounds one hundred and fifty thousand only in necessary instalments to secure best price not exceeding twenty pence per rupee. We shall ~~write~~ wire Coutts on advice."

J. Sahyadri Chief
Comptroller.

MSR/2-7.

2/7 Mull
2-7-20

NOTE—Contn. sheet.

COMPTROLLER'S OFFICE
29 JUL 1920
BANGALORE.

DIARY No. 5 28

[G. S. III-2]

General and Revenue Secretariat.

File No. of 191

Serial No.

32.8

29 JUL 1920

"Bombay Market Report twenty-fourth states price of sovereigns rupees fourteen for shipments Can sovereigns be got in London in exchange for Bank credit for export to India. If so Mysore Government would like to sell their sterling credit in London for sovereign value in Bombay Market."

I shall be obliged if the Comptroller will kindly issue an Express telegram as above to the Bombay Bank.

27.7.20

36-A
No. 196 Bombs. 28.7.20.

Express telegram as above was sent to Bombay Bank yesterday. A copy of telegram received in reply from the Bombay Bank is given below.

"Your telegram stop. Sovereigns cannot be procured from London as export of sovereigns and gold except South African gold coming from mines to London for refining is prohibited stop. Sovereigns referred to in Bombay market report are coming from Australia, East Africa, Dutch Indies and Egypt stop. Price of South African gold in London to-day five pounds, nine shillings per ounce. stop. Your most advantageous method of bringing funds from London is still by selling transfers on London. 'Bombay bank'.

NOTE—Contn. sheet.

Comptroller.

30.7.20

I. R. S. III. 21.

General and Revenue Secretariat.

G 7 File No. 82 of 1919.

Serial No.

From the F.A.R. D.O. No. 5767 dated 6.7.20 states that the Govt of India regret that they cannot give any Special facility for the conversion of sterling credits in to sovereigns to be tendered at Rs 15/- rate.

From the F.A.R. D.O. No. 6082 dt 17.7.20 In continuation of the above serial quotes the remarks by the Govt of India re the Suggestion that the Durbar should be given an opportunity of Converting at Rs 15/- rate the Durbar's Sterling balances of £ 450,000 and states that Mr. Bartion very much regrets that the Govt of India have found it impossible to accede to the representations of the Durbar in the matter.

Subd

Submitted D.S.N.

24/8

Read 29.8.20

I herewith submit a note examining the argumen advanced by the Government of India for refusing our re quest and I also put up a D.S.N. Major Plowden's --- letter of the 17th July 1920 was received by me on the 12th instant. I am sorry there has some delay in sub- mitting the case and it is due to the previous papers not having been put up in time.

12.8.1920

D E W A N.

Note—Contn. sheet.

Read 1.9.20

Recd

2378

G. R. S. III-2]

General and Revenue Secretariat. | File No. | of 19

Serial No.

I have separately reported for information that the Bank of Bombay sold on our behalf Telegraphic Transfer on London at 1/2 & 1/4 the rupee for transferring £ 80000 from London.

Previous to the above transaction we had placed with the Bank an order for sale of £ 50000 at not more than proposed to be 1/4 bd & this order was Cancelled as the rate kept higher

In the attached letter from the Bank rec'd by the comptr today it states that ~~the~~ exchange is getting weaker and enquiries if the order for sale of £ 50000 at not more than 1/4 bd should be considered as Cancelled—

As exchange is going down I think we may renew our old order for sale at not more than 1/4 bd — The amt to be sold may be £ 30000. Our balance on 18th inst was 122000 of which £ 80000 have already been remitted. Of the remainder £ 42000 £ 30000 may be offered for sale & the balance of £ 12000 left with Comb — I shall send you

DEWAN'S OFFICE.
Recd. on NOV 20 1911
Reg. No. 3797

NOTE—Contn. sheet

149
1911

Dewan Pro
2nd Member

a378

G. R. S. III-2]

General and Revenue Secretariat.

File No. of 19 .

Serial No.

To The Comptr for information and for taking necessary further action.

23.11.20

Secy to Government

Secy Bo: 151-R of 27.11.20.

I note below copy of telegram sent to the Bombay Bank on 25th November 1920 placing an order for the sale of Telegraphic Transfer on London for £30,000/- at a rate not exceeding 1s. 6d. the rupee.

The rate of exchange is steadily going down.

With reference to my telegram of nineteenth please arrange to sell Telegraphic Transfer on London for £30,000/- at rate not exceeding one shilling six pence."

J. Satyanarayana
Comptroller.

27/11 File 18 30/4.

SAM

MK

Note—Contn. sheet.

Insignia of Sovereigns
(Sir Edward Carson)

3

H/S adv. 570.
2) Subsequently
abandoned
recruiting.
Rec. 15/7.1920

1) Dispatches
added

WH

DRAFT D.O. No. 303 of 10.10.19

G.F. 82-9-2

Dear Mr. Cobb.

~~My dear Sir~~,

The Durbar receive a large part of their revenue in sterling in London and it consists mainly of the amounts payable by the Kolar Gold Mining Companies. The increase in the rate of exchange from 1s.4d. to 2s. per rupee has appreciably reduced the silver yield of this sterling revenue and the Durbar's calculations have, therefore, been seriously upset and they are faced with a large deficit which ~~menas~~ Compels a contraction of the budget programme ~~and~~ involving a set-back to administration in many Departments. The Durbar have now to their credit with their London Bankers about £200,000 and if they are permitted to import this gold holding to India, they would be saved a part of the loss to which they are subjected by the high rate of exchange.

2. As the Government of India are selling gold once a fortnight under a system of competitive tenders with the minimum price of Rs.23-14-4 per tola which is the equivalent of Rs.15/- to the sovereign, the Durbar would further request that they may be allowed to dispose of their gold holding similarly in the Indian market. The holding is in the form of coins but the Government of India may kindly allow it to be exchanged for an equivalent quantity of bullion from their Paper Currency Reserve or otherwise.

3. I would invite reference in this connection to Article 7 of the Mysore Treaty which places no restriction on the import into Mysore of gold coin or bullion. The request does not also involve any departure from Article 12 of the Treaty.

4.

4. The Durbar having no coinage of their own get no profit on coinage when silver is cheap and the rupee costs less than 1s.4d. When silver is dear, as it is now, it will be hard on the Durbar if they are not allowed to dispose of their gold holding for what it can fetch in the market.

5. Further, the request does not entail any loss or expense on the Government of India. The Indian market is willing to buy gold and that at a premium. The Government of India are selling their gold and Durbar may likewise be permitted to dispose of their gold holding.

6. The Durbar are not anxious to actually import their gold holding or to sell it themselves. All that they want is that the disposal of their holding in the manner proposed above may be authorised and if this is done, they will be content to leave the arrangements for its sale in the hands of the Government of India. The amount will be paid to the Government of India in London and against it the sale in India may be arranged for.

7. I understand that the arrangement for sale of gold by the Government of India is only for three months. In view of this and of the fact that sales are gradually reducing the premium which gold is commanding in the market, the Durbar are anxious to have their holding sold as early as possible. The Durbar are also in urgent need of their funds now locked up in London for expenditure in India. I would, therefore, esteem it a great favour if you will be so ~~good~~ kind as to move the Government of India by telegraph to kindly accede to the request of the Durbar.

Yours sincerely,

Dewan 2.10.19

The British Resident
in Mysore.

2-10-19

Extract from "THE TIMES (ANNUAL FINANCIAL AND COMMERCIAL REVIEW)" of January 23, 1920.

G O L D.

Agreement with Producers.

Negotiations were also opened up between the producers of gold and the Bank of England, acting for the Treasury, and in July an agreement was reached by which the Transvaal, Rhodesian, West African, and Indian gold producers were allowed to sell their gold as it was produced in the open market, the arrangement being that the gold if it failed to find a buyer in the market after six weeks of its arrival should be sold to the Bank at the mint price.

Extract from "THE ECONOMIST" dated 7th February 1920.

BULLION

---

xx xx xx

Though twenty shillings go to the sovereign, the present value of the rupee will not be two shillings in sterling exchange because the currency of the United Kingdom is not available for export in the form of sovereigns.

xx xx xx

Taken from "THE ECONOMIST" dated 7th Febbuary 1920 and 6th March '20.

THE GOLD & SILVER PRICES.

(Price for fine gold during February '20)

			s.	d.	
February	2nd	.. ..	117	6	per ounce.
"	3rd	.. ..	120	10	"
"	4th	.. ..	125	9	"
"	5th	.. ..	127	4	"
"	6th	.. ..	123	6	"
"	28th	.. ..	122	4	"

No. 13499.

Bank of Bombay,

Bombay, 27th July '20.

The Comptroller to the Government of
His Highness the Maharaja of Mysore,
B a n g a l o r e.

Dear Sir,

We are in receipt of your telegram of date reading:

"Bombay market report twenty-fourth states price of
"sovereigns rupees fourteen for shipments can sovere-
"igns be got in London in exchange for Bank credit
"for export to India if so Mysore Government would
"like to sell their sterling credit in L-ondon for
"sovereign value in Bombay market please wire reply,

to which we replied to you to-day as under:-

"Your telegram stop sovereings cannot be procured
"from London as export of sovereigns and gold except
"South African gold coming from mines to London for
"refining is prohibited stop Sovereigns referred to
"in Bombay market report are coming from Australia
"East Africa Dutch Indies and Egypt stop Price of
"South African gold in London today five pounds nine
"shillings per ounce stop Your most advantageous
"method of bringing funds from London is still by
"selling transfers on London".

Yours faithfully,
(Sd.) x x x
Deputy Secretary & Treasurer.

/C o p y./

G. R. S. III-2]

C.585

General and Revenue Secretariat.

File No. of 19

*28. As soon as circulation is complete and the opinion of the Council is recorded, the file will be forwarded to the Secretary in the Department concerned for transmission if need be to the Financial Secretary under Standing Orders and for submission to the Dewan or Member in charge.

Extract from the Proceedings of the Council is put up.

Forwarded with compliments to the Secretary to Government..... Financial Dept .....

under *Rule 23 of the Subsidiary Rules of Council Business.

By Order,

C R Balasundaram 25

Chief Secretary to Government. 17/4

3084/17/4

Manager DBM

17/4/20

Dot not necessary as further action has been taken on the case.

22.4.20

26-5-20

Mr. Mr. Mr.

Extract from the Proceedings of the 524th *Meeting of the Council of His Highness the Maharaja, held at Bangalore on the* 7th April 1920. *19*

12. **Subject. - Clause xii of the schedule.**

Proposal to import the balance of £200,000 available with Messrs. Coutts & Co., London, in gold.

Opinion of the Council.

The draft letter may be approved.

(Signed) M. Kantaraj Urs,
Dewan of Mysore.

"EXTRACT"

Chief Secretary to Government.

WD 1148—GPB—1,000—23-12-16

POSTS & TELEGRAPHS.

NOTICE.

This form must accompany any inquiry made respecting this Telegram.

Charges to pay.	
Rs.	As.

Number of Telegram.	Date.	Hour.	Minute.	Service Instructions.

Recd. here at H. M.

N.B.—The name of the Sender, if telegraphed, is written after the text.

Lal Chand & Sons—3410/5-9-18—2,65,000 Bks. (Edn. III).

C.

POSTS TELEGRAPHS.

NOTICE.

This form must accompany any inquiry made respecting this Telegram.

Charges to pay.		Office Stamp.
Rs.	As.	

Words.	Date.	Hour.	Minute.	Service Instructions.	Words.

TO

Received here at M.

Cir

to hand telegraphic transfers
to Lahore on Bombay Bank
telegraphic advices are keeping our
Lahore telegraphic transfers at par
Bombay must have stock for
transfer

N.B.—The name of the Sender, if telegraphed, is written after the text.

Lal Chand & Sons—3410 5-9-18—2,65,000 Bks. (Edn. III).

C.

POSTS TELEGRAPHS.

NOTICE.

This form must accompany any inquiry made respecting this Telegram.

Charges to pay.	
Rs.	As.

Office Stamp.

Handed in at (Office of Origin). | *Date.* | *Hour.* | *Minute.* | *Service Instructions.*

Recd. here at H. M.

TO

exchange parity 32 and equal to
one shilling eleven pence sterling.
sterling old. as just as
sterling gold cheap or more
as Bank of France London or
gold as [illegible]

N.B.—The name of the Sender, if telegraphed, is written after the text.

Lal Chand & Sons—3410 - 5-9-18—2,65,000 Bks. (Edn. III).

C.

POSTS TELEGRAPHS.

NOTICE.

This form must accompany any inquiry made respecting this Telegram.

Charges to pay.		Office Stamp.
Rs.	As.	

Handed in at (Office of Origin).	Date.	Hour.	Minute.	Service Instructions.	Words.

TO

Received here at H. M.

Copy

Parliament

[illegible] Narottam Morarjee

N.B.—The name of the Sender, if telegraphed, is written after the text.

Lal Chand & Sons—34\ 5-9-18—2,65,000 Bks. (Edn. III).

Copy of telegram sent to the Secretary and Treasurer, Bank of Bombay, Bombay, on 26th June 1920.

===

Your telegram. Many thanks. Please arrange to sell - telegraphic transfers on London for Pounds two hundred thousand at rates not exceeding one shilling ten pence in instalments - if necessary to secure best price. Letter follows.

"Comptroller.

MSR/30-6.

Copy of telegram 828 b/20 received from the Secretary and Treasurer Bank of Bombay, Bombay in reply to the telegram of this office issued on 26th June 1920.

=====

Your telegram 26th. Have sold to Chartered Bank of India Australia and China, pounds two hundred thousand at one shilling nine pence. Please wire Coutts and Company immediately by triple rate express cable to pay above banks London Office the said amount and advise us of this having been done. We will telegrah you as soon as equivalent is received here for your credit.

"Thistle."

HSR/30-6.

Copy of telegram sent to Secretary and Treasurer, Bank of Bombay, Bombay, on 28th June 1920.

======

Your telegram of to-day. Coutts wired by triple rate express for payment of pounds two hundred thousand to - Chartered Bank, London.

"Comptroller."

HBR/30-C.

Copy of ~~telegram~~ Cable sent to Messrs. Coutts and Co., on 28th June 1920.

==== in plain words.

Please pay immediately to Chartered Bank of India, Australia and China, London, (and reply by telegraph Dewan of Mysore) pounds two hundred thousand. Confirmation follows, ~~and wire compliance.~~

"Comptroller."

MSR/30-6.

Bombay 25 1935

[illegible] 20 52

[illegible]

have experienced Fidelity again about
exchange are Rmk for [illegible]
do well to begin selling
Sterling say hundred thousand pounds at
a time - Charleston

P.

POSTS TELEGRAPHS.

NOTICE.

This form must accompany any inquiry made respecting this Telegram.

Charges to pay.		Office stamp.
Rs.	As.	
		26

Handed in at (Office of Origin).	Date.	Hour.	Minute.	Service Instructions.	Words.
~~Bombay (W)~~	26	12	20		47

TO

~~H A Bell~~ Banerjee Bangalore

~~Expect~~ Expedite course of exchange depends mainly on monsoon prospects ~~and~~ with minor degree price silver if monsoon good exchange will rise advise not to wait too long if monsoon strengthens NK

Chatterton

Recd. here at 13 H. 36 M.

N.B.—The Name of the Sender of a Telegram, if not, is written after the text.

Lal Chand & Sons—3410—5-9-18—2,65,000 Bks. (Edn. III).

G. R. S. III-2)

General and Revenue Secretariat.

File No. Immediate of 191

Serial No.

In continuation of my today's note I put up another telegram from Bank of Bombay just recd: We can sell Telegraphic transfers at 18d 10 d as proposed by me and I propose that the Comptr may be authorised to at once write to the Bank of Bombay, to arrange for selling £ 100,000 on the terms proposed by me.

(Sd) [illegible]
26/11/20

Dewan Bdr
Fin: Member

NOTE—Contn. sheet.

C.

POSTS & TELEGRAPHS.

NOTICE.

This form must accompany any inquiry made respecting this Telegram.

Charges to pay. Rs. As. Office stamp.

Handed in at (Office of Origin).	Date.	Hour.	Minute.	Service Instructions.	Words.
~~Bombay~~	~~26~~	~~12~~	~~40~~		24

Recd. here at 13 H. 27 M.

To

Comptroller Mysore Govt
Bangalore
Exchange Quicker Stop
banks are buying ~~T.~~
T.T. On London today at one
shilling ten pence Bombay Bank

N.B.—The name of the Sender of the Telegram is written on the back.

Lal Chand & Sons—2410—5-13—2,65,500 Bks (Edn. III).

C. 3. POSTS & TELEGRAPHS. No.

Received here at ..... H. ..... M.

X P.F. (15-30) BOMBAY P 25 207

COMPTROLLER MYSORE GOVEINMENT BANGALORE.

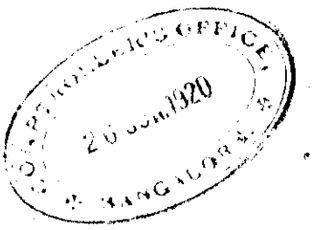
YOUR TELEGRAM 24TH MOST ADVANTAGEOUS WAY OF BRINGING HALF MILLION POUNDS STERLING FROM LONDON TO INDIA IS FOR THE MYSORE GOVERNMENT TO SELL HERE T T ON COUTTS AND CO LONDON STOP BANKS BROKERS CAN SELL ON YOUR BEHALF SUCH T T TO VARIOUS EXCHANGE BANKS HERE AT BROKERAGE OF ONE SIXTEENTH PER CENT STOP ON RECEIPT OF ADVICE FROM US OF SUCH SALES YOU TO INSTRUCT COUNTTS AND CO BY WIRE TO MAKE REQUISITE PAYMENTS TO THE EXCHANGE BNKS LONDON OFFICE STOP AS SOON AS BANK CONCERNED WIRES RECEIPT OF AMOUNT IN LONDON THEIR BOMBAY OFFICE WILL PAY US FOR CREDIT OF YOUR ACCOUNT ~~K/K~~ HERE STOP TODAY SOME BANKS WILLING TO BUY MODERATE AMOUNTS AT ONE TEN HALF PENNY BUT EXCHANGE MARKET FLUCTUATING STOP PLEASE WIRE RATE AT WHICH YOU ARE WILLING TO SELL

This form must accompany any inquiry respecting this Telegram.

Lal Chand & Sons—3[illegible]—5 9 18—85,000 Bks (2½ to 1)

Telegraphic Address. EUROPA.

ALL LETTERS TO
BE ADDRESSED
"THE BANK OF MADRAS"
P.O.BOX No 16



Bank of Madras.

Madras 24th June 1920

F.3/93-3

The Comptroller

to the Govt. Of H.H.the Maharaja of Mysore,

Mangalore.

Sir,

I am in receipt of your telegram of date regarding your sterling balance in London and asking my views as to the most economical manner of transferring it to India. You suggest the purchase of gold but this method has very serious drawbacks and I cannot recommend it. In the first place it is impossible to forecast the future of exchange or the price at which gold would be obtainable in London. If you decided to purchase and exchange went up the gold value in India would decline, and at present one cannot foretell what the effect of free import of gold will have on the Indian prices. It might be possible to contract for payment on delivery in India but before you could enter into such a contract you would first have to secure the gold in London. To import gold into India without having a price fixed would be a very risky proceeding, the cost plus commission and freight would be high. The latest quotation of the gold price in London is £ 5-3-6 per ounce fine and at this rate if American gold was purchased £ 1 sterling would purchase, $ 3.30. Or one lac rupees cost £ 1.18.10

Taking everything into consideration I think it would be better to sell demand drafts or telegraphic transfers on London. I understand you have an arrangement with the Accountant General to enable Courts to make payments on your behalf. If this business is entrusted to me with fixed limits I could sell in any market in India where the best terms were obtainable.

I would suggest that you send me drafts on London for £ 30000/- each which I could sell as occasion offers. The Exchange Banks are

buying demand drafts at present at 1/11$\frac{9}{32}$. T/T would secure a slightly more favourable rate and if you desire to finance in this manner I could sell on your behalf for delivery in a few days and on hearing from me you could instruct the Accountant General.

I have the honour to be,

Sir,

Your obedient servant,

W. J. Smith.

Secretary & Treasurer.

C.e

POSTS & TELEGRAPHS.

NOTICE.
This form must accompany any inquiry made respecting this Telegram.

Charges to pay.		Office Stamp.
Rs.	As.	

Handed in at (Office of Origin).	Date.	Hour.	Minute.	Service Instructions.	Words.
Bombay	25	15	—		49

Read. here at 17 H. 20 M.

TO

Mysore fort Contractor
Bangalore
your telegram 24th not sufficiently
clear if it means that you promise
[illegible]

N.B.—The name of the Sender, if telegraphed, is written after the text.

Lal Chand & Sons —3410—5-9-18—2,05,000 Blks. (Fdn. 141).

Copy of telegram dated 24th June 1920 sent to Secretary and Treasurer, Bank of Bombay, Bombay and to the Secretary and Treasurer, Bank of Madras, Madras.

======

"Mysore Government have with Coutts London about half a million pounds balance. Kindly advise best way for getting maximum value for it by transfer to India. Would bank remittance be preferable or buying gold in London and selling in India. If latter who would make offer to pay in rupees against transfer of sterling credit in London."

"Comptroller."

Copy of telegram dated 24th June 1920 sent to the National Bank of India, Bombay.

========

"Would you offer to take over ~~xx~~ sterling credit of about quarter million pounds in London for purchase of gold for sale in India or for other purpose and pay rupee equivalent Bombay Bank. If so please quote rate per pound."

"Mysore Government Comptroller."

Coutts,

Westrand, London.

"Reply by telogram immediately at about what Exchange Rate Mysore balance with you can be remitted to Bombay or Madras."

"Comptroller."

C.

POSTS & TELEGRAPHS. 152

NOTICE.

This form must accompany any inquiry made respecting this Telegram.

Charges to pay.		Office Stamp
Rs.	As.	

Bangalore (Office of Origin). | Date. | Hour. | Minute. | Service Instructions. | 46

TO Comptroller

Recd. here at | H.

Mysore Mout Bangelore

Your telegram of 22nd remittance Can be arranged but exchange market fluctuating business Can be done today at about one Shilling eleven pence when

N.B.—The name of the Sender, if telegraphed, is written after the text.

Lal Chand & Sons—3410—5-9-18—2,65,000 Bks. (Edn. III).

Cr

POSTS TELEGRAPHS.

NOTICE.
This form must accompany any inquiry made respecting this Telegram.

Charges to pay | Rs. | As. | Postage Stamp

Handed in at (Office of Origin).	Date.	Hour.	Minute.	Service Instructions.
	11			

TO

Recd. here at 16 H. 33 M.

Sending further instructions please give name of London agents by whom your funds are held

Bombay Bank =

N.B.—The name of the Sender, if telegraphed, is written after the text.

Lal Chand & Sons—3410—5-9-18—2,65,000 Bks. (Edn. III).

No.6/Books dated 1st July 1920.

DIARY No. 29

19 — 19
Section
File No.
Subject

Fin. Secy. 2 JUL 1920

In continuation of my Un-Official Note of the 28th June 1920 intimating that the Bank of Bombay, Bombay, has been asked on 26th June 1920 to sell Telegraphic Transfer on London to the extent of £2,00,000/- at rates not exceeding 1 Sh. 10 d. per rupee and forwarding copies of telegraphic correspondence on the subject, I enclose herewith for the information of Government copy of telegram dated 30th June 1920 from the Secretary and Treasurer, Bank of Bombay, advising me of the credit of Rs.22,85,714-5-0 to the Dewan's Account with the bank being the sale proceeds received from Chartered Bank of India, Australia and China.

I have the honour to be,
Sir,
Your most obedient servant,
Comptroller.

The Financial Secretary,
to the Government of Mysore,
Bangalore.

Flows 7
Seen file
2.7.20

8/30.6.20

Copy of telegram from the Secretary and Treasurer, Bank of Bombay, Bombay, sent on 23rd June 1920.

=====

Our letter of yesterday. Dewan of Mysore's Account credited with R22,85,714-5-0 received from Chartered Bank.

"Thistle."

DIARY No. 108

19 — 19
Section.
File No.
Serial No.

DEWAN'S OFFICE.
Recd. on JUL 8 1920
Reg. No. 222

No. 46/Books.dated [redacted]-20.

In continuation of my unofficial note of the 2nd instant, intimating that the -- Bank of Bombay has been requested to sell - telegraphic transfers for £ 150000/- at a rate not exceeding 20 pence per rupee, I - note below for the information of Government, copy of telegram received on the 3rd instant, from the Bombay Bank on the subject.

" Your telegram of 2nd Retaining order. To-day's exchange banks' buying rate Telegraphic transfer, London. One shilling - nine pence one fourth."

T. Satyanarayana Chetty
Comptroller.

M. N. Krishna Rao, Esq., B.A.,
Financial Secretary to Govt. of Mysore,
Bangalore.

Submitted for information

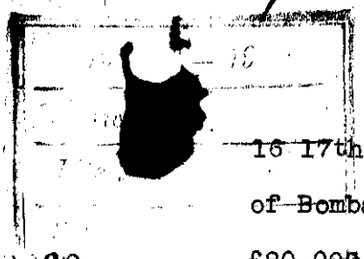
Dewan
Hon'ble Finl Member

9-7-20

9-7-20

7/7 10/20

DIARY No. 247 U.O. Note No. 715 Books dated 23.11.20



22060

D 23341 Returned to Compliance, Audit Section and Separation on 2/11/20

In continuation of my U.O. Note No. [redacted] Books dated 16 17th November 1920, regarding the sale [redacted] the Bank of Bombay, Bombay of Telegraphic Transfer on London for £80,000/- at the rate of 1s-8d per rupee to the National Bank of India, Ltd.. I note below, copy of letter No.22337 dated 18th November 20 from the Bank of Bombay, Bombay, intimating that they have received from the National Bank of India, Ltd., Bombay, a sum of Rs. 9,59,966-4-0 being the proceeds of the above Telegraphic Transfer on London less the cable charges, which amount has been credited to the Dewan's Deposit account with them.

The amount has been checked and found to be correct.

"I beg to advise having received from the National Bank of India, Ltd., here. a sum of Rs.9,59,966-4-0 for the credit of the Government of Mysore account."

GEN & REV. 24 NOV 1920

T. Satyanarayana Rao
Comptroller.

To

The Secretary to the Government Mysore,
Financial Department.

U.

(2.2 10:)

All covers should be addressed,
SECRETARY AND TREASURER,
BANK OF BOMBAY,
POST BOX No 13,
BOMBAY.

No. 22096

Bank of Bombay

Bombay, 16th Novr 1920

COPY No. 2378

The Comptroller to the

Govt. of H.H. the Maharaja of Mysore

Bangalore.

Dear Sir

We are in receipt of your telegram of 15th instant as under :-

"Behind today Coutts cabled by triple rate express to pay Bald Collander to National Bank of India Limited London Please discontinue sending daily telegrams about exchange rate."

and have noted your instructions.

With reference to the last para of our letter No.21813 of 12th instant exchange seems weaker again and we shall be glad to know whether we are correct in considering the letter referred to as cancelled. Perhaps you will be so good as to wire us about this.

Yours faithfully

Dy Secy and Treasurer

T

B. S. O. F. 4.

CONFIDENTIAL.

OFFICE OF THE DIRECTOR OF
SANDALWOOD OIL FACTORIES, SANKEY'S LODGE.

Tel. Address :
"Sandal, Bangalore."

Bangalore 1st July 19 20.

D.O. 15.

Dear Sir,

In continuation of the following telegram:-

"HAVE CONSULTED BUCKLEY AGAIN ABOUT EXCHANGE. WE THINK YOU WOULD DO WELL TO BEGIN SELLING STERLING SAY ONEHUND REDTHOUSAND POUNDS AT A TIME."

sent by Sir Alfred Chatterton to the Fist Member, I am desire to inform you that some people in Bombay think that Exchange will go much lower, possibly to s.1/6. Sir Alfred agrees - with that view but only in case of a failure of the Monsoon.

Yours sincerely,

To P.G. D'Souza Esq., B.A., B.L.

No K257

13th July 20.

T. SATYARAJ CHETTY, Esq., B.A.,
Offg. Comptroller to the Government of H.H.
the Maharaja of Mysore
Bangalore.

I am directed to forward herewith copy of a letter from Messrs. John Taylor & Sons' Committee, in which the new arrangements in regard to the sale of gold is explained.

I have the honour to be,

S i r,

Your most obedient servant,

Sd/ M-N- Krishna Rao

Financial Secretary.

NR.

13/7/20

DIARY No. [redacted]

Copy of letter dated May, 31st, 1920, from the Secretary & Treasurer, Messrs, John Taylor & Sons' Committee, Oorgaum, to the Financial Secretary to the Govt. of H,H, the Maharaja of Mysore, Bangalore.

Subject: Sales of Gold in India.

Year commencing May 15th, 1920. I have the honour to acknowledge receipt of your letter, No.Fl.C.64, of the 28/30th instant, and, in reply to your enquiry, to quote below, for the information of the Government of His Highness the Maharaja of Mysore,.....extracts from Messrs. John Taylor & Sons' letters of the 8/15th April last to the Committee, viz:--

"Since writing to you by last mail on the subject of Sale of Gold "in India, we have received a letter from the India Office dated the "9th April, a copy of which is herewith enclosed, and from this our "Committee will note that until further notice, the Government of -- "India will purchase three-quarters of the Indian Mines Gold output, "at the World's market price ruling in London at the average rate pre- "vailing during the month of delivery, payment for the Gold to be ac- "cording to Assay and Weighment report by the Indian Mint Authorities, "the companies being free to sell the remaining 25%, and with full dis "cretion as to the method of disposal.

"With regard to the 75% to be taken by the Government of India, "it will be observed from the India Office's communication that two- "thirds of the proceeds of this 75% will be paid for in India, and "one-third payable in London.

"The rate of exchange for the conversion of sterling into rupees "is to be according to the average of the rates at which telegraphic "transfers on India have been sold by the Secretary of State for India "during the calendar month in which the gold has been delivered, or, "if there have been no such sales, then the average of the telegraphic "selling rate for rupees on Calcutta during the month of delivery -- "shall be taken."

The 25% to be disposed of in the "outside markets" will, for the time being, be sold at the best price obtainable in Bombay, and through the National Bank of India, Limited, who, I would mention have recently been appointed Selling Agents to the Kolar Companies.

Payment for this 25% will be made in Indian Currency in Bombay.

G. R. S. III-2)

General and Revenue Secretariat.

File No. of 191 .

I 100

Serial No.

DEWAN'S OFFICE.
Recd. on JUN 29 1920
Reg. No. 8499

Telegram from Mr Narotham Morarjee -

The advice of Mr. Dalal is the same as that given by the Bank of Bombay and We have already acted in it.
I put up a draft letter of thanks to Mr Narotham

Dewan

29-6-20

Draft D.O. as approved by the Dewan is issued and the file resubmitted to Fl. Secy.

1-7-20

1-7-20

NOTE—Contn. sheet.

To

Orders of the Government of India allowaing the Durbar to import gold bullion was communicated in -- letter No. 2977 dated 31 March 20 from the First Assistant to the Hon'ble the Resident. The Durbar did not avail themselves of this concession in the expectation that their further representation for import of sovereigns would be favourably considered by the Government of India. If this expectation could not be - realised, arrangements might have been made to buy gold ~~in Londonit~~ in London and sell it in the Indian market to the best advantage that could be had under the conditions of the two markets. No action could however be - taken by the Durbar ~~x~~ in this direction, as no definite reply has yet been received .

The new currency policy of the Government of India has permanently reduced the revenues ~~of~~ of the State to the extent of 20 lakhs per annum. The circumstances in which the Durbar have requested that they may be enabled to get sovereigns are fully explained in letter No. 693 dated 10 April '20 to the ~~First Assistant to the~~ Hon'ble the Resident. The Government of India

be accepted at Rs15/- only until - - -
12th July 1920. The Durbar request that in view of the representation made in letter No. 693 dated 10 Apl '20 the Govt of India may be pleased to extend this consideration to the Durbar's balances of about £450,000 now lying in London.

D.O.No. 215
Enc: 1

Financial Secretariat,

Bangalore, the 20th April 1920.

My dear Sir,

I herewith send the Resident's letter of date 15 for information. As desired in it, I called on him today and explained both the cases to him. He told me that, with my explanation, he thoroughly understood the case and was now in a position to place it before the Government of India. I think he now fully appreciates the effect of the new exchange conditions on the finances of Mysore. He told me that he would strongly support both our requests and submit them to the Government of India. I believe he is wiring to Simla, and following up the wire by a demi-official communication.

Yours sincerely,

Rajasevadhurina
M. Kantaraj Urs, Esq., B.A.,C.S.I.,
Dewan of Mysore.

The Mysore Residency,

Bangalore, 20th April 1920.

Dear Sir,

I wonder if you could come round for a few minutes to explain to me the ~~prominent~~ questions you wish to discuss with the Finance Member. The Dewan in a D.O. received today said you would come round and see me. I should like to get a clear idea of the position before I refer to the Government of India the Dewan's request that two officers of the State should be deputed to Simla.

Yours sincerely,

(Sd.) Barton.

To

The Financial Secretary to the Durbar,

B a n g a l o r e.

D.O. No. 214

Financial Secretariat,

Bangalore, the 20th April 1920.

My dear Sir,

I have just returned after seeing the Resident. I explained the case to him and resolved all his doubts. He told me that, with my explanation, he thoroughly understood the case and was now in a position to place it before the Government of India. I shall go to you this evening on my way home and mention in detail all the points raised by Mr. Barton and the answers I gave him.

Yours sincerely,

A. R. Banerji, Esq., M.A., I.C.S., C.I.E.,
First Member of Council, BANGALORE.

Issued on 16.4.20

Fair draft

D.O.No.717.,

Bangalore,
15th April, 1920.

Dear Major Plowden,

I have received your demi-official letter No. 3408 of date suggesting that the Durbar's Financial Secretary might see the Hon'ble Mr. Barton on his return to Bangalore. There is no objection to this proposal. Please intimate direct to the Financial Secretary, as I shall be absent from the Station, the date and time which will suit the Hon'ble Mr. Barton to see him.

Yours sincerely,
Sd/- M. Kantaraj Urs.

Major C.T.C. Plowden, I.A.,
First Assistant to the Hon'ble
the Resident in Mysore.

P.S.- I am leaving this for Mysore to-night and for Ooty on Saturday. I shall probably be away for nearly a month. My address at Ooty is Awdry House, Fern Hill.

Intd. M.K.

D.O. no 717

15.4.20.

DRAFT D.O.

Dear Major Plowden,

I have received your D.O. letter of 403408 date suggesting that the Durbar's Financial Secretary might see Mr. Barton on his return to Bangalore ~~on the 20th instant~~. There is no objection to this proposal; only there will be delay in placing the Durbar's representation before the Government of India. The Durbar are anxious to arrange for remittance as promptly as possible and it would be well if the delay could be avoided.

Yours sincerely,

DEWAN.

15.4.20

Major C. T. C. Plowden,
First Asst. to the Hon'ble
the British Resident in Mysore.

D.O.
No. 3408

THE RESIDENCY,
BANGALORE.

15th April, 1920.

Dear Sir Kantaraj Urs,

Please refer to your demi-official letter No.714 of even date, in regard to the Durbar's proposal to import ~~gold~~ sovereigns into Mysore from England. Mr. Barton will be returning to Bangalore on the 20th instant and, as this matter is somewhat complicated, I think that it would be best if the Durbar's Financial Secretary were to explain the position to him instead of to me. This will mean a delay of only five days but I think that it would be more satisfactory as I should probably have to refer the matter again to Mr. Barton before sending on the Durbar's request to the Government of India.

If you will kindly let me know if this proposal will suit your convenience I will speak to Mr. Barton as soon as he returns and let you know the date and time which will be convenient to him to discuss the matter with the Durbar's Financial Secretary.

Yours sincerely

Sardar M. Kantaraj Urs, C.S.I.,
Dewan of Mysore.

FAR/H

D.O. No. 715
Encs. 2

PRIVATE SECRETARY TO THE DEWAN · MYSORE ·

Bangalore,
15th April, 1920.

My dear Sir,

I enclose for your information copy of a letter written by the Dewan to Major Plowden to-day, suggesting your seeing him some time to-morrow in order to make the Durbar's position regarding the representations for the import of gold quite clear to him. I also enclose the original letter of Major Plowden that I showed to you this morning. This is just to request you to be ready to meet Major Plowden to-morrow as soon as he sends a reply to the Dewan's letter, which will be sent on to you immediately on receipt.

Yours sincerely,
C Rangamanna Rao
Dewan

M. N. Krishna Rao, Esq., B.A.,
Financial Secretary to Government.

D.O.No.714.

Bangalore,
15th April 1920.

Dear Major Plowden,

In reply to your demi-official letter of the 11th instant, I propose, if you have no objection, to send the Financial Secretary to Government to you, in order to make the Durbar's position in regard to the import of gold sovereigns into Mysore quite clear to you. The Financial Secretary will be glad to see you any time that you may find convenient during the course of to-morrow. As the matter is very urgent, I request that the letter may be forwarded to the Government of India soon after you see the Financial Secretary.

Yours sincerely,

Sd/-- M. KANTARAJ URS.

Major C.T.C.Plowden, I.A.,
First Assistant to the Hon'ble
the Resident in Mysore.

" C o p y. "

CONFIDENTIAL.

D.O.N. no. 369

THE RESIDENCY,
BANGALORE.
11th April, 1920.

Dear Mr. Kaulaj Ms,

There are several points in your d/o letter No.693, dated the 10th April, 1920, regarding the conversion into bullion of the Durbar's sterling balances in London which I find some difficulty in understanding.

The position, as stated by you, appears to rest upon a misapprehension of the meaning of the pound sterling. In normal circumstances sterling credits at a London Bank could, if required, be converted into sovereigns. Owing to currency difficulties this is not now the case - at least I believe I am right in saying so. In other words, the price of gold in sterling is higher than the gold contained in the sovereign. You appear to recognise this when you write "As the coin value of the sovereign is the same as that of a pound sterling, the Durbar fear that they cannot get in the open market a quantity of bullion equal to the bullion contents of the sovereigns which they desire to change into gold." I may say that here again there appears to be some confusion between the pound sterling and the bullion value of the sovereign. You say that the Durbar, to remedy the difficulty, ask to be allowed to import the sovereigns themselves. This implies that the Durbar can obtain sovereigns which, as I have said before, is distinctly doubtful. Possibly they might be able to buy sovereigns with their sterling credits at the bullion rate but I do not know enough of the London money market to be able to express an opinion. In any case, I doubt if they could buy, say, more than 90 sovereigns for £100 sterling credits. This, of course, might be profitable if, as I take to be the case, the Durbar are able to pay their commitments in the State at Rs.15/- to the sovereign. I believe I am right in saying that it is the expectation of being able to do this that inspires the present

attitude of the Durbar. The profit would be about 4s/- per sovereign which would doubtless more than counterbalance the sterling loss in acquiring the ~~bullion~~ as bullion sovereigns in London.

Until the position is quite clear I do not think anything would be gained by a reference to the Government of India. Perhaps you may be able to state the Durbar's views a little more precisely and say how the Durbar proposes to obtain sovereigns in London for export to India.

There is one other point. If you buy bullion with your sterling credits and import the bullion into India do you anticipate that the transaction would result in a profit here? I presume the gain would not be very large as you would not get much more in rupees for the gold than you would receive by the mere transfer of the sterling credits to India, unless, of course, gold sells at a higher price in Mysore than the Government of India rate.

Yours sincerely

J Bowden

(For the Resident on tour)

Sirdar M. KANTARAJ URS, C.S.I.,

Dewan of Mysore.

R/H

Draft.

Dear Mr. Barton,

I beg to acknowledge the receipt of Major Plowden's demi-official letter No.2977 dated the 31st March 1920 regarding the proposal of the Durbar for importing their gold balance from London. I request you to be so good as to convey to the Government of India the sincere thanks of the Durbar for so kindly complying with their request.

2. The second instalment of the subsidy payable this year was due on the 31st March 1920 and as the orders of the Government of India on the representation of the Durbar for paying it in London were not -- received in time, the payment had to be arranged for in India. The subsidy was paid on that date at Bombay to the Deputy Controller of Currency there. All the same, the Durbar are grateful to the Government of India for allowing the subsidy to be paid in London and also for offering to extend the time for its payment, if necessary, ~~for~~ three or four months.

3. The payment of the subsidy ~~however~~ has very seriously depleted the treasury balances of the Durbar and they accordingly propose to avail themselves of the concession so kindly extended by the Government of India of bringing their Londonbalance to India -- after converting it into gold bullion. The bulk of this balance consists of ~~the~~ royalty and price of electric power paid by the --

Kolar

Kolar Gold Mining Companies out of their production which is being sold to the Bank of England at the rate of £ 3-17-9 per standard ounce. This price represents the bare coin equivalent of an ounce of standard gold and the share of the sale proceeds given to the Durbar on account of these items of revenue paybale to them by the Companies represents therefore not sterling credit but sovereigns. The Durbar also understand that currency is convertible in the United Kingdom. They accordingly propose to convert their --- balance into sovereigns and to obtain gold in exchange for them and bring the bullion over to India. They are anxious to arrange for this transaction as soon as possible with a view to obtain for their gold the price which the Indian market is now prepared to pay. As the commercial price of gold is declining and as the question of allowing free imports of gold also appears to be under the consideration of the Government of India, the Durbar would feel greatly indebted to them if they are enabled to import their gold before its price goes down further.

The Durbar, therefore, request that the necessary permit for export of bullion may be given to their Bankers, Messrs Coutts & Co., and that needful instructions also issued to the authorities in India for allowing the consign-

ment

the consignments to be imported into Mysore without being brought under the Gold Import Act. The Durbar will be much obliged if the permit and instructions referred to above are issued by telegram ~~as early as possible~~. They would request that in view of the urgency of the matter, all communications may kindly be made by telegraph.

Yours sincerely,

DEWAN.

To 4.4.20

The Hon'ble the British Resident in Mysore,

Bangalore.

Diary No. 80.1.
of 1.7.20

My dear Mr. Narottam Morarjee

I have just received your telegram communicating the views of Mr. D. Dalal. It is very good of you and Mr. Dalal to have so kindly responded to my request. I thank you for the trouble you have taken and shall be obliged if you will kindly convey my thanks to Mr. Dalal and inform him that I am acting on his advice. Hope you are very well.

Yours sincerely

M.K. Gandhi

30.6.20

Shanti Bhavan
Peddar Road
Kambala Hill
Bombay

29/6/20

D 2158

D.O.No.1450/Books. Encl

Office of the Comptroller in Mysore,
Bangalore, dated the 30th December 1919.

Dear Sir,

I send for your information a copy of letter dated 19th November 1919 from Messrs. Coutts and Co., London, in the matter of "Dividends payable on the 4% Southern Mahratta Railway Debenture Stock.

Yours sincerely,

MSR/30-12.

To

M. N. Krishna Rao, Esq., B.A.,
Offg: Financial Secretary to the
Government of Mysore, Bangalore.

Copy of letter No.JLD.4 dated 19th November 1919, from Messrs. Coutts and Co., London, to the Comptroller to the Government of Mysore, - Bangalore.

We beg to acknowledge the receipt of your telegram of the 12th instant, reading as follows:-

"Your telegram of 1st and 6th reply by telegram if price Madras and Southern Mahratta Railway 4% Debentures bought cum or ex dividend."

We thereupon advised you by cable that both the purchases referred to had been made "ex" October but "cum" the next April dividend.

We may mention that dividends upon these Debentures are payable on the 1st April and October in each year and that the Debentures were last quoted "ex dividend" on the 26th September last."

All transactions on the London Stock Exchange are "cum dividend", unless otherwise expressed.

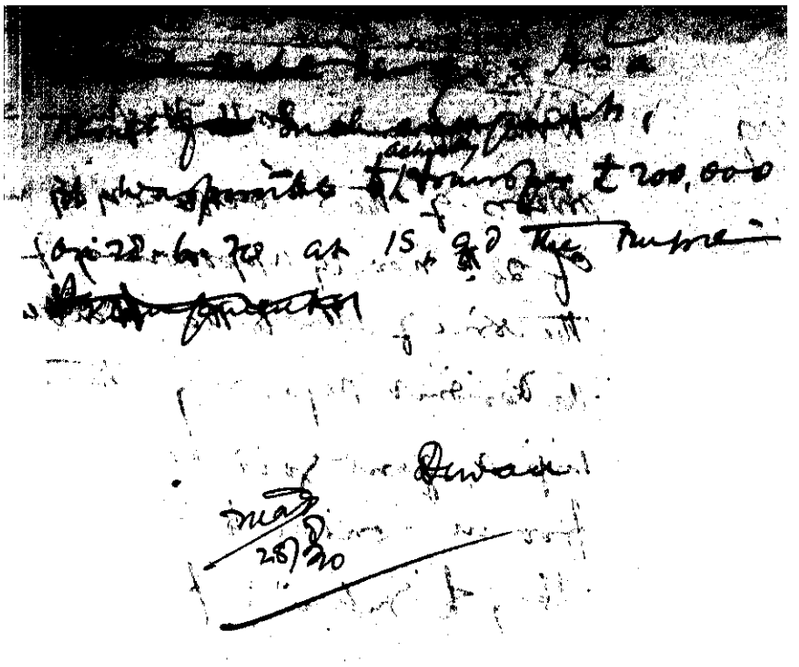
V. H. Govindarajan Manager

Superintendent, Records Section,
Comptroller's Office.

MSR/30-12

[illegible] ...
... with reference to Mr Hopkinson's
... of the 8th ... day and
... of 25th ... appointing of
... the issue of titles to the ...
... The Resident regarding the
... import from gold holding
... from London to India.
... beg to submit for His
... Excellency's gracious perusal
... the final reply of the
... Govt of India in regard
... to the proposals contained
... in Mr Bonton's D.O. of
... 17th July 20. The Govt
... of India have not found
... it possible to accede to
... their request as they
... they would thereby benefiting
... my own finance at the expense
... of the Indian tax-payer.

When the matter was
... still under correspondence with
... the Govt of India, the exchange
... rate fell to 1/10 d the rupee.
... As it was favourable to
... Government for a remittance from
... London [illegible] it was thought that
... [illegible] Bank [illegible] Amalgamated
... might [illegible] Head Office Cable to



Ez 82 of 23.

Recd 14-10-19

D.O. No. 7779

THE RESIDENCY,
BANGALORE.
11th October 1919
13th

Dear Mr. Kantaraj Urs,

I have received today (the 11th instant) your demi official letter No. 303, dated the 10th October on the subject of your gold holding in England, and I am sending on a copy of it at once - treating your letter for this purpose as an official one - to the Political Secretary for favour of orders.

2. In so complex a matter I cannot address Government by telegram, but I have requested that I may be favoured, if possible, with a telegraphic reply which will be communicated to you as soon as it is received.

Yours sincerely
H. V. Cobb.

To,

Sirdar M. Kantaraj Urs, C.S.I.
Dewan of Mysore.

I.S.

D 1834

7782-9-9

THE RESIDENCY,
BANGALORE.

Dated 12 November 1919.

D.O. No. 8829
Rec'd 12.11.19
Reply sent
Please see
with Dear M. Kantaraj Urs,

Please refer to the correspondence ending with my demi-official letter No. 7779, dated the 11th October 1919, regarding the desire of the Durbar to bring to India £ 200,000 in gold which they have to their credit with the London Bankers, without incurring the loss by exchange which results from remittances to India at the rates now prevalent.

2. The Government of India see no objection to the Durbar transferring their holding in England to India. But they state that it is not clear to them whether the Durbar have any actual gold in London, or whether, when you speak of gold in the form of coins, what you really mean is that the Durbar have sterling credits which they convert into sovereigns when they choose.

In the former case, the Government of India suggest that the Durbar's difficulty can be overcome in the following way:-

The price of gold in London being competitive, there is nothing to prevent the Durbar from selling the gold to the highest bidders; in all probabiltiy the Secretary of State would be quite willing to buy it from the Durbar at the market price of the day. Having sold the gold, it is a question of remitting the proceeds to India, and in the present conditions of the exchange market in India, the Indian Exchange Banks would no doubt buy sterling from the Durbar in the neighbour-hood of 2 s. In view of the large premium which the Durbar will get on their gold sold in London, it is clear that this affords them a means of re-transferring their funds to India without substantial loss; the transaction might even conceivably work out at a profit.

3. If, however, the Durbar merely have a certain sum at their credit in the books of some bank at home, and are not actually in possession of £ 200,000 worth of gold, then, as gold is at a premium

in

London [illegible] present price being about 99 s per fine oz as compared with a normal of 85 s.), their sterling holding will yield a much smaller quantity in gold than the Durbar anticipate. Also, if the Durbar import gold into India, this can only be done under the conditions applicable to the general public, and the gold will be paid for by the Government of India at Rs. 11-11-0 per sovereign and not at Rs. 15/- as apparently desired by the Durbar. All that the Durbar can do in this case is to get their money out as quickly as possible while the present exchange conditions continue.

4. I am at the same time to inform the Durbar that they would not be well-advised to hold out longer in the hope of getting any more favourable rates, at least for some time to come, and that, as the present exchange conditions mentioned above may only last for a few weeks longer, it is desirable that they should move at once in the matter, all the correspondence being conducted by telegraph.

Yours sincerely

H.V. Cobb

To,

Sirdar M. Kantaraj Urs, C.S.I.

Dewan of Mysore.

I.S.

D.O.No 431
issued on 15.11.19. 97 82-9-10

Dear Mr.Cobb,

I thank you for your demi-official letter dated the 12th November 1919 conveying the orders of Government of India on the proposal made in my letter No.303 dated 10th October 1919.

2. The Durbar hold in London not gold bullion but sterling credit with their Bankers -- Messrs -- Coutts & Co. -- which can be converted into soverigns at any moment. What the Durbar wanted was that they might be permitted to bring their gold balance into India for disposal and for realizing, if possible, the premium which gold bullion is commanding in the Indian market. The object was not to purchase gold bullion but to dispose of their gold balance to the best advantage on conditions similar to those on which the Government of India are selling their gold. Your letter does not make it clear how this request has been considered by the Government of India.

3. If, for any reasons, it is impracticable to comply with the request of the Durbar for giving bullion in exchange for their coin, it is not clear why they should not be permitted to import their coin balance under the conditions mentioned in para 3 of my letter dated 10th October for enabling them to get the Statutory rate of Rs.15/- per pound.

4. It is stated in your letter that imports of gold can be permitted only "under the conditions applicable to the general public and they will be paid for by the Government of India at Rs.11-11-0 per soverign and not at Rs.15/-." I may state that Section III (1) of the Gold Import Act XXII of 1917 does not make the acquisition of every consignment of gold imported into India compulsory but only provides

provides that "the Governor-General in Council ** ** may take possession of any gold imported into British India." The gold which forms the revenue of the Durbar and which was paid to their credit in London in the usual course has, f r o m circumstances beyond their control, depreciated in value with the result that their financial calculations have been seriously upset and they are faced with a large deficit which compels a contraction of the budget programme involving a set back to administration in many departments. In such circumstances, the request of the Durbar to import gold coins which is permissible according to the Mysore Treaty, is deserving of favourable consideration on the part of the Government of India and imports on behalf of the Mysore State need not be brought under the Gold Import Act. The Durbar have not also proposed that their sterling balance should be taken over on import by the Government of India at the rate of Rs.15/- per pound; they have only requested that they may be enabled to bring their gold balance to Mysore so that they may use it at the Statutory rate of Rs.15/- per pound, in payment of the many State demands to be met. In the circumstances explained above, the proposal of the Durbar may be sympathetically viewed by the Government of India. I request you to be so good as to place with your kind support the representation of the Durbar before the Government of India and obtain their orders for allowing the Durbar to bring their gold balance to Mysore without the Gold Import Act being enforced in regard to their imports.

Yours sincerely,

15.11.19

The Hon'ble Mr. H.V.Cobb, C.S.I., C.I.E., C.B.E.

13.11.19

97 82-19-18a.

SC 15(4)

D.O. no. 571

Draft. 21.2.20.

Dear Mr. Cobb,

May I invite reference to my demi-official letter No.431 dated 15th November 1919 regarding the import to ~~India~~ Alleppee of the Gold balance held by the Darbar in London?

There are some considerations which make it desirable that the Darbar should have their ~~funds remitted~~ balance brought over to India as early as possible. Owing to the large quantities of gold that the Government of India are selling, the premium on it is falling. The prohibition against the disposal of sovereigns for more than their face value has been withdrawn. It has also been announced that the statutory rate will be reduced to Rs.10 per £, as soon as such a step becomes practicable. The minimum price of Rs.23-14-4 per tola which is the equivalent of Rs.15 to the sovereign is no longer insisted on in the arrangement for the sale of gold by the Government of India.

In view of all these circumstances, the Darbar are anxious to import their balance now locked up in London and to dispose of it for at least the prices now ruling in the market. I shall be much obliged if you will kindly arrange to reach an early settlement in the matter.

Yours sincerely,

20.2.20

Denham

Mull 19-2-20

Issued 27-12-19-21 21

D.O. 581/8 6th March 20.

Draft D.O. to Hon'ble the Resident.

Dear Mr. Colvin,

Flag Z 1

A large part of the revenues of the Durbar is held up in London pending the orders of the Government of India, on the proposal made in my D.O.letter*No.303 dated 10th Octr. 1919. The delay in remitting their funds is causing the Durbar considerable inconvenience in meeting their demands. The second instalment of the subsidy due to the British Government has to be paid on the 31st of the current month, but the only source from which the Durbar can meet this demand is their balance now lying inLondon.

2. As I have explained in the correspondence ending with my D.O.No.571 dated 21st February 1920, the Durbar consider that it is not proper to subject the imports of gold -- belonging to them, to the restrictions imposed by the Gold Import Act. The Mysore Treaty does not prohibit the import of gold or gold coin into Mysore and the amount proposed to be brought over to India is the bona fide revenues of the Durbar realised in London, and their request to transfer it to India as as not to involve loss on exchange cannot be held to be unreasonable.

3. If the Durbar are not enabled to realise for their gold balance the statutory rate of Rs.15 per pound even as long as such rate is in force, they will be subjected to a very heavy loss as the revenues on which their -- budget programme is based will be substantially reduced and they will be unable to meet the many demands to which they are committed.

It has been decided on the recommendation of the Exchange and Currency Committee that the statutory rate should be reduced from Rs.15 to to Rs.10 as soon as possible. When this reduction is made, the Durbar will with their annual gold revenues, be permanent losers. But during the transitional period when the internal ratio remains unaltered, the Durbar have a chance of saving themselves a part of the loss and they would request that this chance be not denied to them.

4. A large part of the Durbar's revenue realised in London consists of the payments made by the Kolar Gold Mining Companies. The gold balance held by the Durbar in London, is therefore that which was exported from Mysore. The imposition of any restriction on the import of such gold into Mysore will not be fair. It is only right to permit the same freedom for import of gold into Mysore as that allowed for its export from Mysore.

5. In the circumstances explained above, the Durbar request that the permission applied for by them for bringing over their gold balance into India with a view to realise for it the -- still statutory rate of Rs.15 per £, may be given and that the second instalment of the subsidy -- payable to the Government of India on the 31st of the current month may be accepted in London at the same rate. They also request that the communications with the authorities concerned may, if necessary be kindly made by telegraph and that sanction be obtained in time, to permit of their making the payment of the subsidy before the close of the month, by cabling instruc-

tions to their London Bankers, Messrs Coutts & Co.

Yours sincerely,

Dewan. 6.3.20

Mull 5/3/20

2759

SECTION

22501.

Telegram dated 18th February 1920 to messrs. Coutts & Co, London. —

"Please cable if mysore Government balance with you can be converted into Gold Sovereigns for disposal at their option" "Comptroller"

———

Reply dated 18th February from messrs Coutts & Co, London. —

"London 18th messrs Coutts & Co., Your telegram of ~~twelfth~~ eleventh. Gold Cannot be exported without special license from British Government"

——— " ———

FINANCE
25 FEB 1920

No 1862 dated 24-2-20
Bowlby Forwarded to the Financial Secretary to the Govt of mysore. for information.

Ma Lennox Allen
For Comptroller
24-2-1920.

Esqr for

Please place this in the file re. Shipment of ~~gold~~ balances to India. The Cable of 11-2-20 was sent at my instance by the Comptr

Mrs.
25/2/20

Rec'd at Camp 25.2.20 K. Bang Cable

Answer 1.3.20

D.O. No. 266 1/3/20

D.O. No. 1683

THE RESIDENCY,
BANGALORE.

Dated 24 Febry: 1920.

D 9841

Dear Mr. Kantaraj Urs,

With reference to your demi-official letter No. 371, dated the 21st February 1920, regarding the desire of the Durbar to bring to India their gold balance in London, I am desired to say that a copy of your letter has this day been forwarded to the Government of India and they have been asked to pass early orders in the matter.

Yours sincerely

J Bowring

To

Sirdar M. Kantaraj Urs, C.S.I.

Dewan of Mysore.

I.S

D.O.No.2113

THE RESIDENCY,
BANGALORE.

Dated 10th March 1920.

Dear Dr. Kantaraj Urs,

I am desired to refer to your demi-official letter No. 581, dated the 6th March 1920, regarding the desire of the Durbar to bring to India their gold balance in London, and in reply, to state that the Government of India have been asked today by telegram to communicate telegraphic orders in the matter and that a copy of your letter is being forwarded to them for sympathetic consideration and with the request that the Government of India may be pleased to pass very early orders on the subject.

Communicated

To

Sirdar M. Kantaraj Urs, C.S.I.

Dewan of Mysore.

I.S

Pol 1041 - B/ 82-19-23
dated 20.3.20

20th March, 20.

Dear Sir,

I am desired to acknowledge with thanks the receipt of your letter No.2113 dated 10th March 1920 addressed to the Dewan, stating that the request of the Durbar for paying the Subsidy in London has been forwarded for the sympathetic consideration of the Government of India. The second instalment of the Subsidy falls due on the 31st instant and there are only a few few days left for arranging for its payment. I am accordingly to request that the orders of the Government of India may kindly be obtained very early to enable the Durbar to make the necessary arrangement for payment in time.

Yours sincerely,

Major C. T. C. Flowden,
First Assistant to the Hon'ble
the British Resident in Mysore,
BANGALORE.

T.O.

Pol 1078 Encl 1

47 82-19-24

Sealed & w/s for information

30th March, 20.

Dear Sir,

May I request reference to my letter No. Pol. 1041 dated the 20th March 1920 regarding the Durbar's request for payment in London of the subsidy due this month? No reply has yet been received and the Mysore Comptroller has head today from the Controller of Currency, Delhi, to say that the Government of India will reply to the Mysore Government in the matter. I enclose a copy of the telegram from which it would appear that orders have been passed and are under communication. I shall be much obliged for information as to whether the orders have been received and if they have been, they may kindly be communicated today. Tomorrow is the last date for payment and I have, therefore, addressed this letter to you and shall feel obliged for a reply in the course of the day.

Yours sincerely,

Major C. T. C. Plowden,
First Assistant to the Hon'ble
the British Resident in Mysore,
BANGALORE.

Copy of a telegram from the Controller of Currency, Delhi, to the Comptroller, Mysore Government, Bangalore, dated the 27th March 1920.

Your telegram to resource Calcutta re payment subsidy London Government of India will reply to Mysore Government -- Resource --

****

D. O. No. 2977
Pol. 12-3-20
31-3-20
N. K. Reddy

THE RESIDENCY,
BANGALORE.

No. 3284 37 March 1920

Dear Mr. Kantaraj Urs,

I am desired to invite a reference to the correspondence ending with Mr. M. N. Krishna Rao's demi-official letter No. Pol. 1041, dated the 20th March 1920, regarding the request of the Durbar to pay in sterling in London, at the rate of Rs.15/- to the pound, the instalment of the State Subsidy which is payable to the Government of India on the 31st March 1920.

The Government of India have just telegraphed stating that they have no objection to receive the payment of the subsidy in London, but that this could only be done at the exchange rate of the day on which the amount is paid in London. They further state that the fifteen Rupees' rate has long ceased to be in force except as the conventional rate for the accounting of sterling transactions and that all remittances of funds between India and England through Government are now settled at the current exchange rates. They regret their inability to adopt the fifteen Rupees' rate for the conversion of subsidy paid in sterling in London. In view of the difficulties mentioned by the Durbar, the Government of India have, however, no objection, if the Durbar prefer, to their purchasing gold bullion in London from the sterling credit available there, the such bullion being imported into India and sold by the Durbar in the market at their risk. Should the Durbar prefer this alternative, instructions will be issued for permitting import of gold into India, and the Government of India will also agree, if necessary, to the postponement of subsidy payable in March for three or four months.

I am to request that the Hon'ble the Resident may kindly be favoured with the views of the Durbar at an early date for the information

THE RESIDENCY,
BANGALORE.

information of the Government of India.

Sirdar M. Kantaraj Urs, C.S.I.,

Dewan of Mysore.

Cooks Hostel

Bombay 10. 4. 20

P6

Dear Mr. Krishna Rao.

I saw Mr. Wadia

Parwanjee yday afternoon in

the matter of the importation of

Gold bullion & Sovereigns - He

strongly recommended the

importation of the latter, as being

more profitable, but he doubted

your being successful in

obtaining a license for their

Export from the United Kingdom.

Even in the case of Bullion

Russian - As regards the Export of coin to India this was due to there being no remittance to the demand of the labourers for Sovereigns - As to the Shares he believed Rothschilds & Sons imported gold bugs. obtained licences from the Govt & got the Export of the Shares on behalf of Exchange Bills & Notes can be drawn in the Plan marked A. 1/5/a. in turn these coins were smuggled into India! - This is his presumption; only but I am inclined to think about the correct view of the case. There will be no difficulty to sell - He reflected the gold or coin being consigned to the Bk of Bombay who charge 1/4 % for Clearance & Storage &c. - Exchange it is thought will fluctuate round about 2/4. - I trust these few notes will be of assistance - You must now ask the Govt of India - They will have such a good right respect to taking

Sir Alex. Ramsay. M.P.

there is a profit already. Gold
commands a big premium.
Ten 1 or 2 months forward. He
referred me to Art: 69 of the
Currency Commission Report
under the Heading "Holders of
Gold". He did not think
the fact of India would make
any change in regard to the
value of the Sovereign for at least
another 3 or 4 months. He
was inclined to think they were
getting doubtful of the success
of their Currency Policy. He
recommended all inquiry

F.D.No.693,

Bangalore,
8th April, 1920.

Dear Mr. Barton

I beg to acknowledge the receipt of Major Plowden's demi-official letter No. 2977 dated the 31st March 1920 regarding the proposal of the Durbar for importing their gold balance from London. I request you to be so good as to convey to the Government of India the sincere thanks of the Durbar for so kindly complying with their request.

The second instalment of the subsidy payable this year was due on the 31st March 1920, and, as the orders of the Government of India on the representation of the Durbar for paying it in London were not received in time, the payment had to be arranged for in India. The subsidy was paid on that date at Bombay to the Deputy Controller of Currency there. All the same, the Durbar are grateful to the Government of India for allowing the subsidy to be paid in London and also for offering to extend the time for its payment, if necessary, by three or four months. The postponement of the March payment however, could not be availed of, owing to the circumstances explained above.

The payment of the subsidy has very seriously depleted the treasury balances of the Durbar and they accordingly propose to avail themselves of the concession so kindly extended by the Government of India. The bulk of this balance consists of royalty and price of electric power paid by the Kolar Gold Mining Companies out of their production which is being sold to the Bank of England at the rate of £3-17-9 per standard oz. This price represents the bare coin equivalent of an ounce of standard gold and the share of the sale proceeds given to the Durbar on account of these items of revenue payable to

them

them by the Companies represents, therefore, not sterling credit but sovereigns. The Durbar also understand that currency is legally convertible in the United Kingdom.

As the coin value of a sovereign is the same as that of a pound sterling, the Durbar fear that they cannot get in the open market a quantity of bullion equal to the bullion contents of the sovereigns which they desire to exchange for gold. The purchase of bullion, in these circumstances, will not give the Durbar any advantage, and they therefore now request that the Government of India may permit them to import sovereigns themselves. In support of this request, they would urge the following considerations in addition to those mentioned in the previous correspondence:-

(i) Almost the whole of the gold exported from India to London and acquired by the Bank of England is from the Mysore State,

(ii) The present request is for permission to bring back to Mysore a fraction of the gold originally sent from Mysore,

(iii) The privilege of free import of gold bullion now kindly accorded can be availed of by the Durbar in respect of their future revenues from royalty and price of power as such an arrangement is feasible according to the terms under which the Kolar Gold Mining Companies have the freedom to sell their gold within six weeks after its arrival in London. The position of the Durbar in respect of their past revenues cannot be considered different in this respect, especially in view of the fact that the price at which the Bank of England bought the produce of the Kolar Gold Mines was the regulation rate of £3-17-9 per standard oz. When the object is to obtain the proper market value for gold, the difference between gold bullion and sovereign is artificial and the Durbar would request that this difference may be overlooked and that they be allowed to import sovereigns,

(iv) The Durbar have no coinage laws of their own and accordingly have no share in the profits of coinage though contributed by the people of Mysore, and

(v)

(v) The Durbar believe that one of the objects of not having given immediate effect to the recommendations of the Currency Committee for fixing the value of a sovereign at Rs. 10 for internal circulation is that those who already hold sovereigns may have a chance of obtaining the old statutory rate for it. The bona-fide revenues of the Durbar realised in London and held up there deserve the same consideration as has been extended to the private holdings of sovereigns in India. The amount now to the credit of Mysore Government in London was not acquired as a result of any speculative transactions. Besides the bulk of it, as already stated, is really bullion, as it is derived from the productions of the Kolar Gold Mines sold to the Bank of England for its bare coin value.

The exchange value of the rupee will, under the orders recently issued, stand at 2 shillings as a permanent measure and the prevailing rate is higher still. The resulting gain on exchange has substantially improved the revenue position of the Imperial and Provincial Governments. The Mysore Government with their large sterling revenues are, however, in the reverse position and the decreased value of sterling in relation to the rupee entails substantial loss on them and the loss calculated with reference to the two shilling rate is permanent. The financial position of the Durbar has been very adversely affected and they are compelled to raise funds by additional taxation even for the present standard of their expenditure and commitments. In these circumstances the request of the Durbar deserves sympathetic consideration at the hands of the Government of India, and kind compliance with it will enable them to save temporarily a part of the permanent loss caused by the new conditions of exchange.

In the circumstances represented above, the Durbar are anxious to arrange for this transaction as soon as possible, with a view to obtain for their gold the price which the Indian market is now prepared to pay. As the commercial price of gold is declining

declining and as the question of allowing free imports of gold also appears to be under the consideration of the Government of India, the Durbar would feel greatly indebted if they are enabled to import their sovereigns before the price of gold goes down further.

The Durbar therefore request that the necessary permit for export of sovereigns may be given to their Bankers, Messrs.Coutts and Company, and that needful instructions also issued to the authorities in India for allowing consignments to be imported into Mysore without being brought under the Gold Import Act. The Durbar will be much obliged if the permit and instructions referred to above are issued by telegram.

Yours sincerely,

Fair Draft

9.4.20

The Hon'ble

Mr. W. P. Barton, I.C.S., C.I.E.,

Resident in Mysore.

Mr. Suryanarayana Rao.

The D.O letter has to be issued from Secretary Office. FA Secy has seen the approved Draft

24/6

Draft D.O approved by the Dewan issued & the file returned

BS.
24/6.

D.O. No. 867
24.6.20

Dear Mr. [illegible]

May I request you to kindly obtain the advice of Mr. Dadibha/ Mehrwanjee Dalal as to the best way of getting the maximum value in rupees for a sum of about half a million pounds sterling which the Mysore -- Government have now to their credit in London. Mr. Dalal may remember that Mr. W. C. Rose of the Bank of Mysore consulted him on this subject in April last. He very kindly advised us to try for importing sovereigns but we have not succeeded in getting them. In the meantime, however, conditions have completely changed as the restriction on the import of gold has been withdrawn and the policy of fixing the new ratio of Rs.10 to one sovereign has also been affirmed by the Government of India. I want to get the best expert advice as to whether there is any -- way open to the Mysore Government for saving themselves at least a part of the loss entailed by the reduction in the rupee -- value of their sterling balance. Are there not likely to be offers on the part of bullion merchants who would buy gold in London and sell it in India under the free import now permitted, to take over our sterling -- balance in London and pay us in rupees in India ? It is probable that the price of gold will not immediately touch the level of about Rs.16 per tola corresponding to the new exchange ratio of Rs.10 to a £, and before the price declines to that level there may be means of getting a better value for our sterling credit. I shall be much obliged if you will request Mr. Dalal to kindly

S-G. to Dewan as personally intended
M.
24.6.20

advise the Mysore Government as to how they may proceed to transfer their balance to -- India with the minimum loss. In view of the orders of the Government of India issued in their communique of the 21st instant, the matter has become very urgent and I shall thank you to communicate Mr. Dalal's advice by wire or if Mr. Dalal wan kindly do so, he may -- directly wire to me.

Yours sincerely,

2462

Dewan of Mysore

To 24.6.20

Mr. Narottam Morarjee Goculdas,
"Shanti Bhavan," Pedder Road,
Bombay.

Rd 22.6.20
H. Lr
Langford
at 3 o'c
Cable

Langford House,
Bangalore,
22nd June 1920.

My dear Mr Venkatasubba Rao,

May I invite your attention to page 6 of this morning's Madras Mail publishing a Communique from Simla regarding the exchange question which makes our position as regards the proposal laid before the Government of India, impossible. The sovereign is going to be legal tender for 15 rupees for a few days from the 21st to the 12th July next and it is to be convertible at the ten-rupee basis after that. All restrictions for the import of bullion have been removed. So, even the price of gold will now suddenly come down. As the exchange is now 1 sh. 8 d., I would strongly advise that the Financial Secretary may forthwith arrange to get telegraphic transfers from London of our sterling credit to the extent of at least 250,000 pounds. It must be very disappointing that the British Government have taken so much time to pass orders on our proposals and now, even if they grant what we ask for, it will be of no use.

Yours sincerely,

L Rao

Rajaseva dhurina
Sirdar M.Kantaraja Urs, C.S.I.,
Dewan of Mysore.

D. O. Fr. no 334
19.5.20.

D-O.No.4384

THE RESIDENCY,
BANGALORE.
18th May 1920

18.5.20

Dear Sir Kantaraj Urs,

I am desired to acknowledge the receipt of your demi-official letter No. 772, dated the 11th May 1920, and its enclosure, regarding the Durbar's wish to import into India - in the form of sovereigns the amount which - they have to their credit in sterling with - their London Bankers, and to say that it has been forwarded to the Government of India for favourable consideration.

Yours sincerely
J Bowring

Sirdar M. Kantaraj Urs,
C.S.I.,
Dewan of Mysore.

Issued

DRAFT D.O. No 772/Conf. 1.
11.5.20

Issued 12.5.20

Dear Mr. Barton,

I am sorry to trouble you again regarding the conversion of the London balance the Durbar into sovereigns ~~for~~ and importing them into India. I do not know when the Gold Impo Act will be repealed. The Durbar understand that all restrictions on the import of gold into Egypt have already been withdrawn. The appended extract from the speech of the Chairman of the General meeting of Shareholders of the National Bank of India, Ltd., reported in the issue of the London Times dated 13th April 1920 shews that the free import of gold into India will not be much longer delayed. Once free import is permitted, the price of gold bullion and of sovereigns is sure to decline in the Indian market and the Durbar will lose the only opportunity of saving a part of the permanent loss sustained by them as the result of the new exchange conditions. They are anxious, therefore, to arrange for the import of sovereigns before the Gold Import Act is repealed. I shall feel much indebted if this aspect of the case is brought to the notice of the Government of India and their orders granting the request of the Durbar made in my letter dated 10th April last, obtained before it will be too late for the Durbar to save the loss which the reduction in the price of gold will entail on them.

Yours sincerely,

11.5.20

DEWAN.

To

The Hon'ble the British
Resident in Mysore,
Bangalore.

Issued 6/5/20

8276 D.O. F. no. 31

12.8.20.

THE RESIDENCY,

BANGALORE.

D.O. No. 5767

6th July 1920

Dear Mr. Kantaraj Urs,

With reference to the correspondence ending with your demi-official letter of the 23rd June 1920, I am desired to say that the Government of India regret that they can give no special facility to the Durbar for conversion of sterling credits into sovereigns to be tendered at Rs.15 rate.

Yours sincerely

Sirdar L. Kantaraj Urs, B.A.,

Dewan of Mysore.

835

D.O. Fr. No. 32
12.8.20

BANGALORE.

D.O. No. 6082

17.7.20

17th July 1920

My dear Mr Kanitkar,

Please refer to the correspondence ending with my demi-official letter No. 5767, dated the 6th July 1920. As regards the suggestion that the Durbar should be given an opportunity of converting, at the Rs.15/- rate, the Durbar's sterling balance of £450,000/-, the Government of India remark as follows:-

"Indeed as far back as the 2nd February, in announcing the acceptance by the Secretary of State and themselves of the conclusions arrived at by the Indian Currency Committee, the Government of India practically gave notice of their intention to alter the legal ratio of the sovereign from Rs.15/- to Rs.10/-, and, in point of fact, not a few holders of sovereigns have tendered, while others have since that date been continuously tendering, their sovereigns for redemption. The exact time when the new legal ratio should be enacted was dependent on various factors of which the most important was the removal of the restrictions on the import of gold, and the Durbar must have been aware as everybody else has been, that this latter step would necessarily coincide with, if it would not precede, the introduction of the new ratio. In so far, then, as the Durbar failed to take advantage of the offer made to them permitting them to import bullion and to sell it, at their own risk, in the open market, the Government of India cannot in any way be held responsible for the consequences of such failure. In point of fact, the Durbar are practically in no worse position now than if they had accepted this offer, for the price of gold in London, which stood on the 5th May at 109 shillings per fine ounce, now stands at 103s.7d., so that the conversion by the Durbar of their sterling credits into gold bullion will result in their securing a larger quantity of gold bullion than if they had made the conversion in May. The price of gold in India has it is true fallen but only practically to the same

extent

"extent as the London price. Country gold was selling in Bombay on "May the 1st at Rs.22-14-0, whereas today the price is Rs.21-10-0. "There has thus been a fall of 5s.5d. in the London price per fine "ounce, representing 4.97 per cent as against a fall of Rs.1-4-0 per "tola in India representing 5.46 per cent."

3 "Nor is the Durbar prejudiced in any way by the action taken by "the Government of India in demonetising the sovereign, for on the 2nd "of February Government announced that the acquisition rate for sovereigr "on import would be one to ten rupees, and legally the Durbar, like any "other importer, could not have obtained for any sovereigns imported by "them from England any higher rate. As a matter of fact, if the Durbar "were to import sovereigns after the moratorium they could probably sell "them in the bazar at a higher rate <u>as gold</u> than the equivalent of Rs.10 "for each sovereign."

4 "The Durbar have made the proposal that they should be given - - "special facilities for importing sovereigns at the old rate of Rs.15/- "to the £. In the first place, the Durbar could not have converted "their sterling credits into sovereigns without special facilities being "afforded to them by the Bank of England. This they have recognised "in asking that the Government of India should assist them in obtaining "such facilities. On this point I am to say that the Government of "India cannot regard the Durbar as being in a position different from "that of any other holder of sterling credits, and though the credits in "question may have been accumulated as the result of the royalties due "on the gold mined in the Mysore State, the arrangement whereby such gold "was sold to the Bank of England at 85s. was one arrived at between the "companies and the Bank and was applicable to all gold produced within "the British Empire, so that the Mysore mines were treated in no way "differentially from that of other gold producers, and the Government "of India would find it very difficult to endorse any application for "preferential treatment in favour of the Durbar on this ground. In "the second place, assuming that the Durbar could have succeeded in "arranging for the conversion of their sterling credits into sovereigns and

"and could have imported them into India, the extension to them of a "rate of Rs.15/- as against the rate of Rs.10/- which was then being "paid to any other importer would have exposed the British Indian tax- "payer to a loss which it would have been difficult to justify, since "the Government of India had then adopted the policy of rating the "sovereign at Rs.10 and any sovereigns taken over by them at a prefer- "ential rate would ultimately have had to be revalued at the lower rate "Moreover, at the time when such importation could have taken place, "the value of the sovereign qua gold in the Indian market was less than "Rs.15/- and there would have been no justification from the point of "view of the British Indian taxpayer for paying the Mysore Durbar a "higher rate for their sovereigns than they could have obtained by the "sale thereof in the market qua gold."

5 "Finally I am to point out that the moratorium was purposely "limited so as to make it impossible for fresh imports of sovereigns "to be tendered at the privileged rate of Rs.15/- The obligation of "the Government of India to redeem at Rs.15/- applies only to sovereigns "already in the country and not to sovereigns subsequently imported."

2. I am to add that Mr. Barton very much regrets that the Government of India have found it impossible to accede to the representations of the Durbar in the matter. He thinks, however, that the Durbar will realize, now that the position has been fully explained, that it was out of question for the Government of India to adopt the course suggested as, by doing so, the Government of India would have been benefiting Mysore finance at the expense of the Indian taxpayer, a contingency which, Mr. Barton believes, was never contemplated by the Durbar.

You will see that the Government of India recognized their - - obligation to pay Rs.15/- to the sovereign only to the extent of the sovereigns actually in India when the new currency policy was announced, and it is obvious that, had they permitted the Durbar to import, say

4,00,000

4,00,000 sovereigns, the Government of India would practically have lost 20 lakhs by the transaction.

Yours sincerely

J Bowring

Sirdar M. Kantaraj Urs, C.S.I.,
Dewan of Mysore.

BJ

IMPORT OF SOVEREIGNS FROM LONDON.

Reference:--Residency demi-official letter No.6082 of 17th July 1920.

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Para 2.--Our holding was not in India and we could not tender it for conversion into silver at Rs.15 per sovereign. What we asked for was a licence for -- exporting sovereigns from London and permission to -- import them to India. The reference of the Government of India in this para to the announcement regarding the introduction of the rate of 2s. to the rupee and to the tender of sovereigns at currency offices for exchange into rupees is not therefore relevant.

As for the observation of the Government of -- India that they are not responsible if we did not choose to avail ourselves of the concession given by them to bring bullion to India after purchasing it in London with our sterling credit, I may state that as a matter of fact, we have not only not lost but have even gained by waiting. The reason for this result is that in the meantime the rate of exchange turned in our -- favour and declined from about 2s.4d. which was the -- rate when the concession of bullion import was allowed to us, to 1s.9d. and 1s.11d. the rates at which we -- actually transferred our funds. The calculation is as under:-

(1) Date of Residency letter intimating bullion import concession, 31st March 1920.

(2) Rate at which we could have bought bullion in London, about 104 shillings an ounce.

(3) Quantity of bullion for £300,000(the amount later on remitted by T.T.) 57,700 oz.

(4) Rate per tola of fine gold about the middle of May 1920 when the purchased bullion would have been available for sale in India, Rs21-6-0.

(5)

(5) Value that would have been realised in rupees for 57,700 oz. of gold gold bullion if sold at £21-6-0 per tola. Rs.32,88,900.

(6) Amount actually realised by sale of Telegraphic Transfers as follows:-

Date of sale.	Rate.	Sterling amount.	Rupee proceeds.
28th June	1/9 d.	£200,000	Rs.22,86,000
24th July	1/11d.	£100,000	Rs.10,43,000
			Rs.33,29,000.

(7) Difference between (5) and (6) .. Rs.[illegible],000.

It will be seen from the above figures that we did not lose by not buying bullion in London and selling it in India as soon as we were allowed to import bullion without being subjected to the Gold Import Act. The value of our sterling credit improved by the decline in the rate of exchange. What we requested the Government of India was to convert our sterling credit into coins and dispose of the latter either as coins for Rs.15 each or if that was not possible for such value of their gold contents as could have been obtained in the Indian market. If either of these requests had been allowed, we would have got about Rs.12 lakhs more.

Para 3.-- It is stated that we are not prejudiced in any way by the demonetisation of the coin 'sovereign' as the acquisition rate for a sovereign on import was fixed on the 2nd February 1920 at Rs.10. But the acquisition rate was for private imports and not for imports of a Government. -- Corresponding to the rate for a sovereign, there was an acquisition rate for gold bullion itself and in spite of the law of compulsory acquisition of gold bullion at the fixed rate, we were given the permission to bring gold bullion from London and sell it for what it was worth in the Indian market. That our imports could not be brought under the Gold Import Act was recognised by the Government of India but the recognition did not go far enough as it was limited

only

only to gold bullion and not extended to sovereigns as well. It is difficult, therefore, to understand how the Government of India contend that we have not been prejudiced by their action.

Further on in the same para the Government of India say that "if the Durbar were to import sovereings after the moratorium they could probably sell them in the bazaar at a higher rate as gold than the equivalent of Rs.10 for each sovereign." But we cannot now import sovereigns from London. I made an enquiry of the Bank of Bombay on this subject and I put up the telegraphic reply received from it. The freedom of import now permitted applies to consignments of sovereigns from South Africa and other countries. Even now if only we could get sovereigns in London and also got a license for exporting them from there, we can sell it as gold in the Indian market at about Rs14 each. It is difficult to understand how the Government of India write as if we now had it in our peer power to get sovereigns in London and bring them to India when, as a matter of fact, we cannot do so.

Paras 4 & 5.-- The Government of India state that we could not have obtained sovereigns for our sterling credit in London and that they could not have supported any application of ours for getting sovereigns especially from the Bank of England. The Government of India overlook the fact that the currency in England was not legally inconvertible and that we had a right to demand sovereigns in exchange for our credits in London. The Bank of England bought our gold at 85/- sh. per oz. which is the bare coin value of an ounce of gold. Surely, that Bank could not refuse to give back to the seller of gold his own gold in the form of coins. It is true that the gold was not directly sold by us to the Bank of England, but it should not be overlooked that the request for

sovereigns

sovereigns was not on behalf of any particular individual or a company but of a Government, which had allowed i t s gold to be exported to London. If we could not bring back our share of gold undimished in value or its corresponding market value in depreciated sterling, surely, it would -- have been reasonable for us to ask the Companies not t o take our share of production to London at all. It is unfair to penalise us for having permitted the gold to b e taken to Lodnon. The Bank of England continued to purchase half of our gold at the coin value of 85/- sh. per oz. until May last, while the production of other countries like South Africa, were allowed to be sold for full market value from July 1919; vide London Times Financial Supplement dated 23rd January 1920. As our gold was purchased at much less than its market price, we were deprived of our proper share of royalty measured in depreciated sterling. If the Bank of England bought our gold at i its coin value, it could not reasonably refuse to give us coins in exchange for credit, especially when currency was fully convertible according to law. If it was not prepared to issue sovereigns, it should have, at least, bought the gold at its proper market value, in which case we --- could have got a larger amount of royalty.

The statement that the Mysore Mines were treated in the same way as other mines in the British Empire is not, I think, correct. It will be seen from t h e Financial and Commercial Supplement of the Times dated 23rd January 1920 that the gold produce in others parts of the Empire ~~were~~ our permitted to be sold for ~~their~~ its proper market value from July 1919.

The Government of India state that even if we could have got sovereigns, they could not have given us anything more than Rs.10 for each sovereign which w-as the acquisition rate at the time and that to have paid us

us Rs15 for each sovereign would have resulted in a loss to them of Rs5 for each sovereig n. We never wanted our import of sovereigns to be taken over by the Government of India at Rs15 per sovereign. All that we requested them was that we might be permitted to bring the sovereigns to India. If they did not want us to dispose of them as coins, we would have had no objection to convert them into gold and dispose of the bullion, as the Government of India themselves admit in the same para that the value of a sovereign in the Indian market, though less than Rs15, had not declined to Rs10. If we had disposed of our sovereigns as gold bullion in the Indian market, we would have realised for it a much better value than that at which we could have had our balance transferred by means of bank drafts even if we may not have been able to obtain ful the full value of Rs15 for the quantity of gold in each sovereign.

Para 6 & 7.-- We did not ask for any benefit to Mysore finance at the expense of the Indian tax-payer. As a matter of fact, it is the Mysore tax-payer at whose expense the English tax-payer has benefited. The cheap purchase of Mysore gold by the Bank of England meant the transfer of a part of the revenues of the Mysore State to the Exchequer of the United Kingdom. It is, therefore, unfair to characterise our request as an attempt at benefitting Mysore finance at the expense of the Indian tax-payer.

Some very important consideration which we urged in favour of our request are not adverted to in t h e Government of India letter at all:-

(1) The new exchange policy of the Government of India has reduced our revenues to the extent of about -- 20 lakhs per annum as a permanent measure. The position,

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therefore, in which the Mysore Government is placed by such policy is one in which they deserved sympathy at the hands of the Government of India. The Mysore Government have been very generous in making free gifts and even in waiving claims to charges payable to them. All these -- facts should have weighed with the Government of India and induced them to comply with our request.

(ii) The Mysore Government permitted the export of gold throughout the period of the War, although the disposal of such gold in the market would have meant considerable advatange to their own revenues and t h e revenues of the gold Mining Companies and a request for bringing back a small share of that gold after the end of the War should not have been considered unreasonable.

(iii) The Durbar have no coinage laws of their own and accordingly do not get the share of profits of coinage contributed by the people of Mysore and such share benefit the British Indian tax-payer. It should also be added that the share of interest upon the invested portion of the paper currency reserve based on the circulation in the Mysore State also goes to benefit the British Indian tax-payer. Again, the entire customs duty and the salt tax paid by the Mysore tax-payergoes to the British India Treasury. It will be seen that the position is not one of the Mysore tax-payer being benefited at the expense of the British Indian tax-payer: it is exactly t h e reverse and throughout it is the British Indian tax-payer that is benefited at the expense of t h e Mysore tax-payer. How, in the face of all these facts, it is stated by the Government of India that our request was an attempt to gain at the expense of the British --- Indian tax-payer, it is really difficult to understand.

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1.9.41